

# Effects of PFDs on Poverty Among Rural Alaska Natives

UAA ISER Publications

April 10th, 2018

A recent article in the journal *World Development*, by Matthew Berman, professor of economics at ISER, examines how the Permanent Fund dividend (PFD) has reduced poverty among the 60,000 or so Alaska Natives living in small, isolated communities far off the road system. PFDs are cash payments the state government makes to virtually all Alaska residents every year.

Rural Alaska Natives are much more likely than other Alaskans to be poor, mostly because jobs are scarce in remote areas. The author found:

Without PFDs, more than 28% of rural Alaska Natives would have fallen below the poverty line from 2011-2015, compared with about 11% among all Alaskans. With PFDs, poverty during that period dropped to about 22% among rural Alaska Natives and 9% among all Alaskans.

But those recent rates are higher than in 2000, when PFDs reduced poverty to 14% among rural Alaska Natives and about 6.5% among all Alaskans. PFDs have become less effective at reducing poverty, partly because PFDs didn't grow as fast as inflation. But also, more Alaskans now have incomes that fall further below the poverty line—so it takes more to lift them out of poverty.

This article is open access. Download "[Resource rents, universal basic income, and poverty among Alaska's Indigenous peoples](#)," by Matthew Berman, in *World Development*, Volume 106. If you have questions, contact the author at [matthew.berman@uaa.alaska.edu](mailto:matthew.berman@uaa.alaska.edu).

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# What do we know to date about the Alaska recession and the fiscal crunch?

Mouhcine Guettabi, Assistant Professor of Economics, Institute of Social and Economic Research, UAA  
February 12th, 2018

## **Abstract:**

We provide a broad overview of the state's economic and fiscal conditions. We show how the economic contraction has spread away from natural resource and mining and state government to household spending dependent sectors. We also show that while the rate at which jobs are being lost has slowed, it is inaccurate to think about that as a sign of a recovery. That is because the engine of growth that is O&G employment as of June 2017 was only 75% of what it was in 2014. Additionally, the softness in spending activity may linger for an extended period of time. We also assess the regional effects of the recession and show the significant heterogeneity in experience. Unsurprisingly, areas with economic bases not associated with Oil and Gas and with relatively little dependence on state government spending are holding up best. After establishing an understanding of the economic conditions, we offer a back of the envelope calculation of the capital investment losses associated with the fiscal uncertainty. Then, we provide a comparison of Alaska's taxes relative to the rest of the US, and a simulation of the effects of different withdrawal amounts on the permanent fund balance and the earnings reserve.

[Read the full study here.](#)

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# Here's the true economic cost of the uncertainty created by the Alaska Legislature

[Author: Charles Wohlforth | Opinion Published February 18 Anchorage Daily News](#)

Posturing and rigidity by members of the Alaska Legislature has cost the private economy perhaps half a billion dollars a year in investment that could have sped recovery from the recession, according to a new report.

Business people have said for two years that political uncertainty is holding back the state economy by discouraging investment. Without knowing what to expect in taxes, spending cuts or other economic shocks, businesses held back on capital expenditures for expansion or new ventures.

But that concern always seemed vague and unmeasurable, allowing legislators to behave as if delay had no cost.

Read the full article [here](#).

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# Alaska's Non-Profit Sector – Generating Economic Impact

The Foraker Group released a study which found that Alaska's nonprofit sector is a major driver in the state's economy. Foraker's research shows that the sector directly employs more than 44,000 people with a payroll of \$2.68 billion and generates close to \$7 billion in revenue. In 2015, nonprofits accounted for 17% of all employment in Alaska compared to 10% nationwide. [Read the full report here.](#)

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## Series exploring Alaska's health care costs

Charles Wohlforth has written many columns in the Anchorage Daily News on this topic, starting in August, 2016. Click on the link below to go to the ADN site to explore these.

[Charles Wohlforth's full series exploring Alaska's health care costs.](#)

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## Wohlforth Swings and Misses with Column on Health Care

# Costs

Author: Dr. Robert Hall | Opinion in the Anchorage Daily News, December 12, 2017

[Read the full opinion piece here.](#)

Recently the ADN printed an [opinion column with an interview with Dr. Alan Gross](#) that contained some remarkable statements. Remarkable enough that an opinion column was put on the front page instead of its usual spot back in the local news section. The claims about Dr. Gross' compensation as an orthopedic surgeon in Juneau back in 2013 were certainly interesting reading. Dr. Gross said he was making \$2.5 million a year, about half from the practice of orthopedic surgery and about half from his group's investment in an MRI and X-rays. He stated he was making that level of income while doing five to six surgical cases a week. The reader was left with the impression that Dr. Gross' compensation is typical of orthopedic surgeons in Alaska. That article was part of opinion columnist Charles Wohlforth's [continuing series](#) about his views on Alaska health care.

As an orthopedic surgeon who has been practicing in Anchorage for the last 22 years, I think it is important to let Alaskans know that my experience, and that of my Anchorage colleagues, has been far different from that of Dr. Gross. I have no way of verifying Dr Gross' compensation claims, but I can compare them to data from my own practice, Orthopedic Physicians Alaska (OPA) , that contains 24 orthopedic surgeons. I have talked to people who were familiar with Dr. Gross' practice in Juneau so I have some idea of the types of surgical cases he was doing. Using our overhead, our fee schedule, our payer mix, and Dr. Gross' stated surgical volume, if he had been working at OPA in 2013, a generous estimate is that he would have taken home \$400,000 a year. In 2018 that amount would be significantly less. This is a very good living by any standard

but far short of \$1.25 million. I have talked to some other orthopedic practices in Anchorage and their experience is more in line with ours at OPA than with Dr. Gross'.

[\[Alaska faces the nation's highest health-care costs. Why?\]](#)

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# **This disillusioned doctor quit his practice. Now he works to reform Alaska's overpriced health system.**

Author: Charles Wohlforth | Opinion in the Anchorage Daily News, December 3, 2017

[Read the full article here.](#)

The doctor who is leading Alaska health care reform said he quit his orthopedic clinic because he was no longer comfortable being part of a system so expensive it is crippling the economy.

Alan Gross knows how much Alaska specialists make in private practice because he was one of them. But he's the first I've found willing to divulge the astronomical compensation these doctors receive and how they do it.

As I've written in past columns, health care is more expensive in Alaska than in other states, and the cost has rising faster

here. But our health outcomes are average.

[\[Series of columns explores Alaska's extreme health care costs\]](#)

Knowing the system as he does, Gross says the reason is simple – much simpler than suggested by complex reports, plans and conferences, or admitted by those riding the gravy train.

“I think the fact prices are extraordinarily high in Alaska, allowing hospitals and medical providers to make very high profits in the delivery of care, is the one and only reason as to why the health care costs to consumers, in the form of premiums, are so high,” Gross said.

When Gross left his practice in Juneau in 2013, he went back to school to study health care economics, earning a master's of public health at University of California, Los Angeles. Now he's back in Alaska and leading a pair of citizen initiatives to protect consumers and low-income patients

He is thoroughly Alaskan. Gross's father was a legendary Alaska attorney general in the state's formative years. He is also a commercial fisherman.

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## **Response to Charles Wohlforth's columns about health care costs**

Columnist misses mark on some of his health care conclusions  
Author: Dr. Robert Hall | Opinion in the ADN. [Full article here.](#) Updated: January 18 Published January 18

The [recent series on health care](#) by ADN opinion columnist Charles Wohlforth culminated with his suggestions on how Alaska health care could be reformed. He then went on to predict that should the Legislature in Juneau try and enact any reform then Alaska doctors would try and block those efforts.

Wohlforth is a very busy man, writing three opinion columns a week, writing books, and hosting local radio talk shows to boot. Health-care financing is a very complicated topic and superficial examinations of very complex topics can lead to very misleading conclusions. Space constraints here prevent me from addressing in one column all the issues raised in this series. For those interested in a broader perspective visit the Orthopedic Physicians Alaska [webpage](#) at opalaska.com.

The solution promoted by Wohlforth, managed care, has already been tried in Alaska in the private sector and didn't turn out well. When the managed care movement was going strong in the Lower 48, Providence Alaska tried to set up a managed care network here in Anchorage. Due to objections from the local medical community to giving up control of patient care this effort never really got off the ground.

[\[Series of columns explores Alaska's extreme health-care costs\]](#)

Southcentral Foundation's [primary care managed-care model](#) was held up as an example of less expensive care with high patient satisfaction. As noted in the article, Southcentral only provides primary care services. Wohlforth quoted a cost of \$500 per person per month which equates to \$6,000 a year per person. Specialty and hospital care for Southcentral beneficiaries are provided through the Alaska Native Tribal Health Consortium which runs the Alaska Native Medical Center. The consortium's 2015 annual report gives expenses for the year of more than \$500 million to provide those services for 150,000 beneficiaries or roughly \$3,000 per person per year.



The total cost of comprehensive managed care services in Anchorage per beneficiary then would be roughly \$9,000 per person per year. Compared to Kaiser Family Foundation data showing average single-person, employer-based private insurance in Alaska for 2015 of \$7,800 per year this doesn't actually represent a less expensive alternative.

Further, the health consortium and Southcentral receive funds from the Indian Health Service and in addition from bill payers such as Medicaid, Medicare and private insurance. They are allowed to accept payment from two sources for the services they provide. In the private sector, we are only allowed to submit one bill. Federal regulations exempt Alaska Natives seeking care through Southcentral or Alaska Native Medical Center from having to pay copays for government programs such as Medicaid and Medicare, which may help contribute to their high consumer satisfaction rate.

This is not meant in any way as a criticism of the Native health system which has done an outstanding job meeting its own enormous challenges in Alaska. Rather this is meant to demonstrate that holding up the Native health care model as a reasonable alternative to the current private sector system demonstrates a deep lack of understanding of both systems.

In its zeal to attack the local medical community the ADN has missed the real story in health-care financing. Major reform has already started at the federal level and regardless of what Alaska doctors or legislators do in Juneau that process will continue. In 2015, the U.S. Congress passed the Medicare Access and CHIP Reauthorization Act. This replaced the old Medicare funding mechanism called SGR. Forbes magazine has called this act a "tsunami" of changes in how doctors are paid and predicted we may see a wave of early retirements among older physicians as a result. The act requires Medicare and Medicaid to implement two payment tracks for physicians by 2019. Twenty-five percent of payments can continue under fee for service but only if doctors comply with reporting data

that can be used for merit-based incentives or penalties. The remaining 75 percent of payments are to be made under alternative payment models, some of which are undergoing demonstration projects now and some of which are yet to be developed. Major insurers such as Aetna and Blue Cross have also stated that they plan on shifting the bulk of their payments away from fee for service to models that pay for value.

To make things even more complicated it appears that the current Congress is poised to repeal the Affordable Care Act without an explanation to date of what will replace it. If that were to occur then the combination of the repeal of the ACA and the reforms already started by the Medicare Access and CHIP Reauthorization Act has the potential to result in a major upheaval of health care everywhere in this country, not just in Alaska.

In my view, rather than wasting time and money trying to reform the current system that is already on the way out, Alaska should participate in the development of new health-care financing models that work for our unique situation. There has already been cooperation on projects to save money on Medicaid between the state and Anchorage doctors which shows that this is possible. Further developments will require some vigorous public discussion and debate. I can't help noticing that a mere two days after Wohlforth labeled a large segment of the Anchorage medical community as "[parasites](#)" he wrote [another column](#) bemoaning the current lack of respect in public discourse. As this important discussion continues it is important for Alaskans to work together using real data rather than common knowledge if we are to achieve the best possible outcome for us all.

***Robert Hall, MD, is an orthopedic surgeon who has been practicing in Anchorage for more than 20 years.***

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# Alaska needs a fiscal solution in 2017: That's now

Opinion in [Alaska Dispatch News](#), May 26, 2017

We recognize and appreciate the hard work of the Legislature in reviewing a wide range of proposals to address the state's fiscal gap. However, to date the Legislature has not reached agreement on a broad-based and balanced solution.

This session remains a turning point for Alaska. If the Legislature again balances the budget by relying on savings in the Constitutional Budget Reserve Fund, there will be no ability to balance the budget in 2018 without spending a substantial amount of the Permanent Fund Earnings Reserve Account.

As former Alaska House Speaker Mike Bradner has pointed out, if the Legislature fails to take big steps in 2017, we will be out of money and out of time in 2018. Ignoring the revenue side of the equation in 2017 is a recipe for drastic cuts to services, a heavy reduction in Permanent Fund Dividends, and a significant loss of jobs in both the public and private sectors. Proposed cuts to education are particularly damaging to young Alaskans and the future of our state. The "wait and see" approach constitutes a direct threat to our economy and our way of life. Adjusted for inflation and population, the budget this fiscal year is the lowest it has been in 10 years. All state of Alaska employees could be laid off, and the state of Alaska would still have a deficit. Already the signs of a recession are all around us.

Global and state realities demand that in 2017 the Legislature adopt a comprehensive fiscal plan. Alaska's needs require us

to include a broad-based tax – as does every other state – in the state’s response to its continuing fiscal challenge. A progressive income tax, set at levels that would have little or no effect on those with low to moderate incomes, avoids competition with municipalities, and is preferable to a statewide sales tax. Without a broad-based tax, draws on the Permanent Fund Earnings Reserve Account will be increased, then dividends can no longer be paid, and eventually the Permanent Fund itself will be threatened.

Timing is critical. The opportunity for an effective solution will be gone next year. We look forward to a plan that benefits all Alaskans, now and in the future.

Cliff Groh chairs the nonprofit organization Alaska Common Ground. He submitted this commentary on behalf of Alaska Common Ground’s board of directors.

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## **The State’s Operating Budget: Critical Crossroads, Choices, and Opportunities**

Two Year Update-What’s Changed?

The focus of Commonwealth North’s 2015 report was on the operating budget, within the

context of the dramatic drop in state revenue. The revenue decline has continued and the

need to reduce recurring expenditures in the state’s operating budget has not lessened. The

one constant is that one-time savings have been relied on to prop up recurring spending, albeit

at a somewhat

reduced level.

[Check out the full report here.](#)