

Demographic and Economic Trends for Pennsylvania's Older Residents

Testimony before the
House Aging and Older Adult Services Committee
March 23, 2016

Matthew Knittel, Director
Independent Fiscal Office



Demographic and Economic Factors

- **Demographics: Large Wave of Pending Retirements.**
 - First Baby Boomers reached age 65 in 2012.
 - Those turning age 65 to peak in 2022.
- **Prices: Healthcare Inflation > General Inflation.**
 - Typically outstrips general inflation by +1.5 to +2.0 ppts.
- **Longer Life Spans Suggest Challenges.**
 - Will older residents have sufficient income?
 - Higher utilization of programs by service populations?
- **More Older Residents “Aging in Place.”**
 - Or assisted living facilities. Lower share in nursing homes.

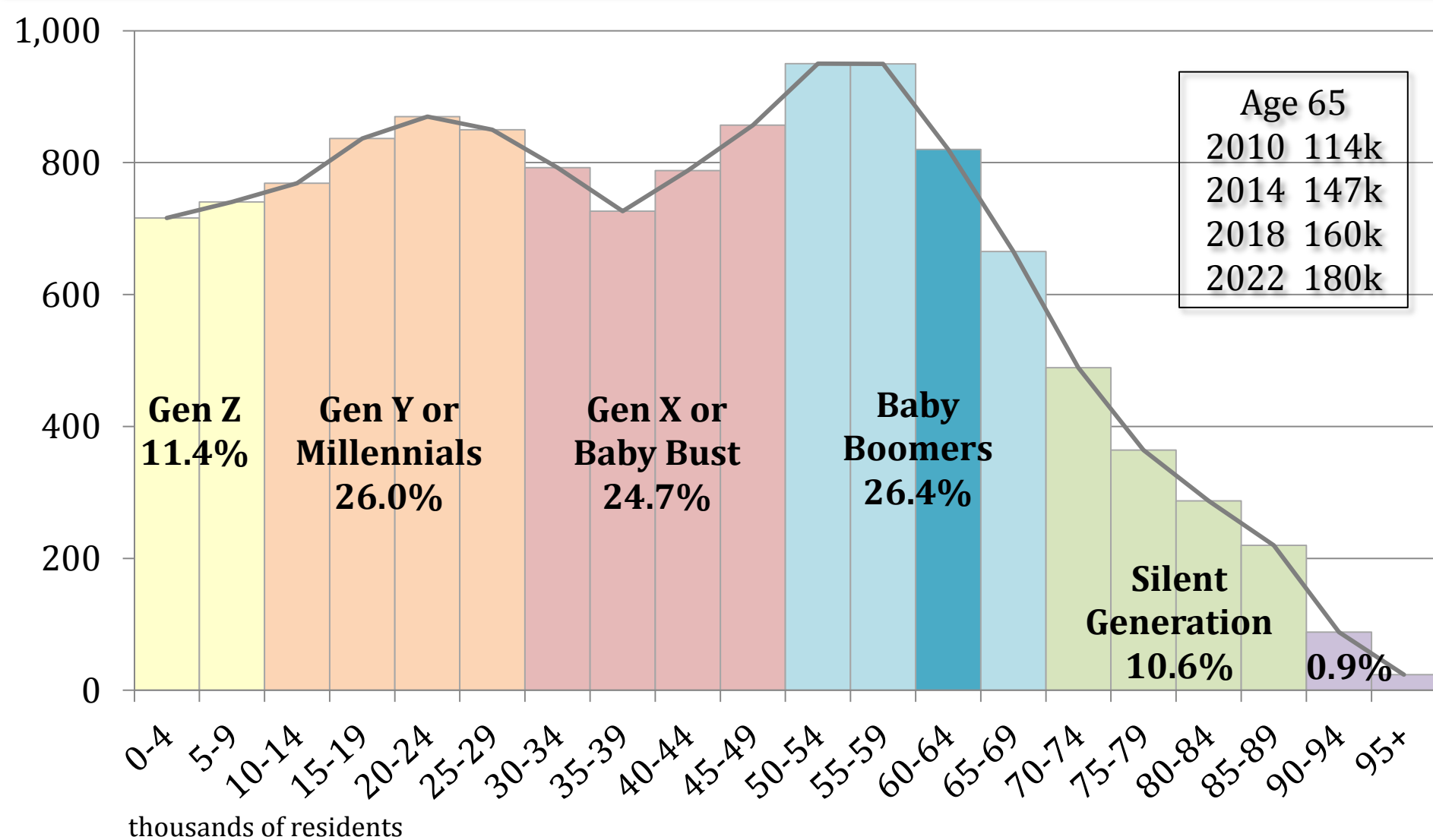
Snapshots: 2005, 2015 and 2025

Age	Number of Residents			Gain or Loss		Avg. Ann. Growth	
	2005	2015	2025	2005-15	2015-25	2005-15	2015-25
0-19	3,226	3,062	3,048	-164	-14	-0.5%	0.0%
20-39	3,122	3,238	3,378	116	139	0.4%	0.4%
40-59	3,622	3,545	3,107	-77	-438	-0.2%	-1.3%
60-79	1,900	2,338	3,001	439	663	2.1%	2.5%
80+	<u>580</u>	<u>619</u>	<u>705</u>	<u>39</u>	<u>86</u>	<u>0.6%</u>	<u>1.3%</u>
Total	12,450	12,803	13,239	353	436	0.3%	0.3%

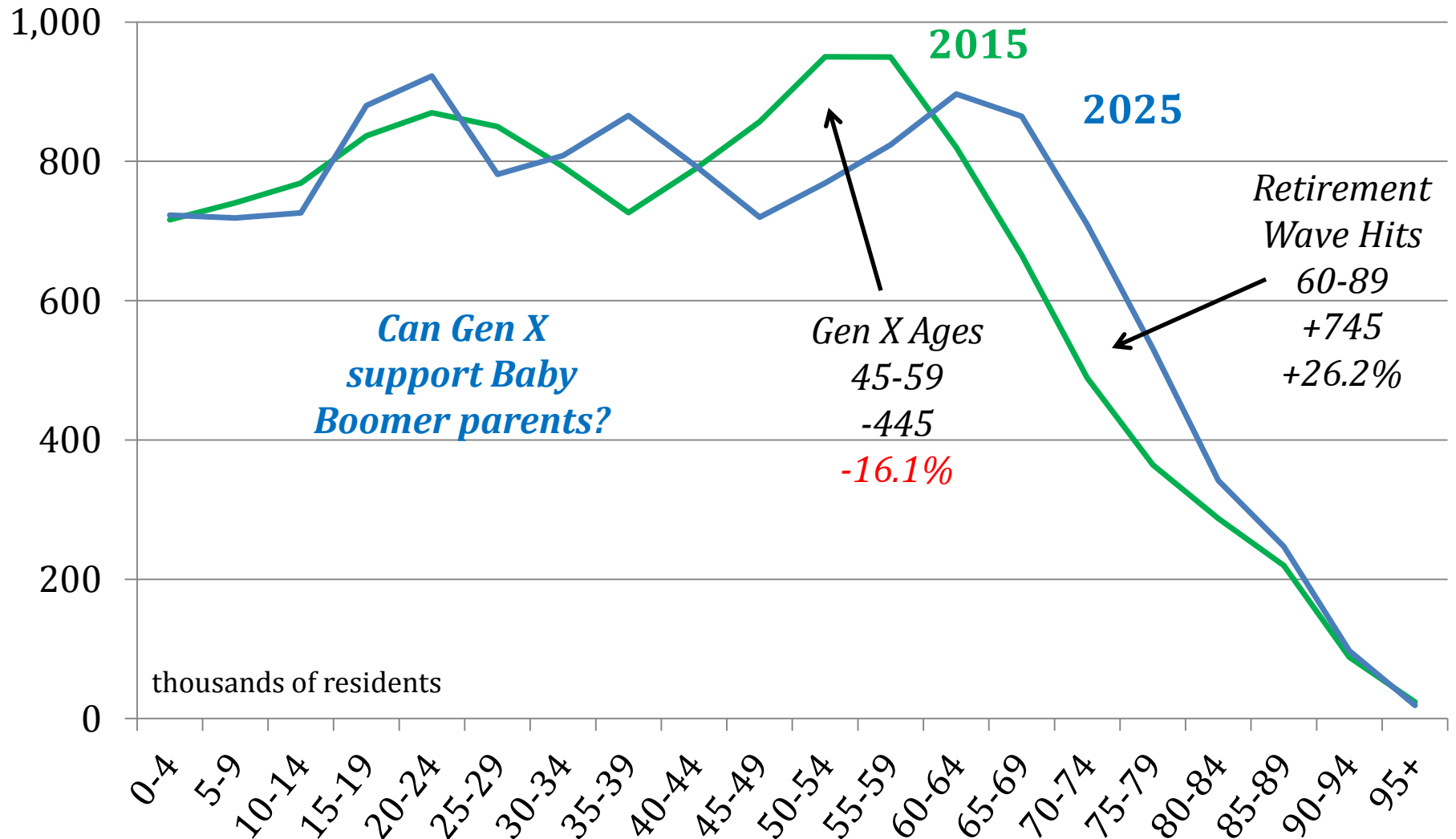
Note: thousands of residents.

Source: Pennsylvania State Data Center projections for Independent Fiscal Office, January 2016.

PA Population Distribution - 2015



Demographic Shifts Next Decade



U.S. Healthcare Inflation

Category	Avg. Annual Growth Rate		Premium
	2005-15	2010-15	
CPI-U, All Goods-Services	2.0%	1.7%	n.a.
All Medical Care	3.3%	2.8%	+1.2%
Physician Services	2.4%	2.0%	+0.3%
Hospital Services	6.0%	5.0%	+3.3%
Nursing Homes	3.6%	3.1%	+1.4%
Prescription Drugs	3.2%	3.3%	+1.6%

Values for Jan-Feb 2016: CPI-U = 1.2%, All Medical Care = 3.2%

Note: CPI-U is the consumer price index for all urban consumers. Premium is the difference between the CPI-U and a specific category. Source: U.S. Bureau of Labor Statistics.

PA Healthcare Inflation

Category	Avg. Annual Growth Rate		Premium
	2005-15	2010-15	
Philadelphia CPI-U	1.8%	1.4%	n.a.
All Medical Care	2.7%	2.6%	+1.2%
Pittsburgh CPI-U	2.4%	2.2%	n.a.
All Medical Care	4.2%	3.5%	+1.2%

Values for Feb 2016: Philly CPI-U = 0.3%, All Medical Care = 2.4%

Note: CPI-U is the consumer price index for all urban consumers. Premium is the difference between the CPI-U and a specific category. Source: U.S. Bureau of Labor Statistics. Individual category detail not available.

Living Situations for Age 65+

	Share of Residents Age 65+		
	2008	2011	2014
Pennsylvania			
Head of Household (live w/spouse-relative)	54.3%	55.7%	57.1%
Live Alone	28.5%	28.9%	28.0%
Live with Relatives (not head of household)	7.4%	7.9%	7.6%
Nursing Home and Other	7.2%	4.5%	4.1%
Live with Non-Relatives	2.6%	3.0%	3.3%
United States			
Head of Household (live w/spouse-relative)	55.4%	56.9%	57.5%
Live Alone	27.4%	26.9%	26.2%
Live with Relatives (not head of household)	9.3%	9.3%	9.3%
Nursing Home and Other	4.9%	3.6%	3.2%
Live with Non-Relatives	3.0%	3.4%	3.8%

Note: For 2014, number of PA residents age 65+ is 2.13 million. U.S. figure is 46.21 million.
 Source: U.S. Census Bureau. American Community Survey, 1-year estimates.

Composition of PA Income for 65+

Income Quintile	Earnings	Social Security	All DB Pensions	DCs & IRAs	Capital Income	Other Income
<\$11,000	1.0%	84.9%	0.9%	1.0%	3.2%	8.8%
to \$19,000	2.4%	84.8%	4.6%	3.6%	3.4%	1.1%
to \$29,000	6.4%	68.0%	13.7%	3.4%	5.1%	3.4%
to \$50,000	21.0%	41.5%	21.6%	6.3%	6.3%	3.2%
>\$50,000	43.0%	16.4%	20.6%	9.8%	6.8%	3.4%
Average	27.7%	38.0%	17.7%	7.2%	6.0%	3.4%

Data are for individuals, not married units or households. Other income includes veterans' benefits, disability and cash transfers. Data are for PA residents for 2014. Source: U.S. Census Bureau, Current Population Survey.

IFO Expenditure Projections

	General Expenditures	Older Resident Healthcare
(1) Demographics	0.3%	2.5%
(2) General Inflation	2.0%	2.0%
(3) Healthcare Premium	<u>0.0%</u>	<u>1.5%</u>
TOTAL ANNUAL FACTOR	2.3%	6.0%
Five-Year Cumulative Growth	12.0%	33.8%