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Ford
5/8/87

Original sponsors: Grussendorf and Gruenberg

BY THE LABOR AND COMMERCE COMMITTEE

IN THE HOUSE

SENATE CS FOR CS FOR HOUSE BILL NO. 36 (L&C)

IN THE LEGISLATURE OF THE STATE OF ALASKA

FIFTEENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act requiring certain motor vehicle insurance policies to provide reduced rates for certain persons; and providing for an effective date."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

* Section 1. AS 21.89.020 is amended by adding new subsections to read:

(f) An insurer shall provide an appropriate reduction in the premium charged for a motor vehicle casualty insurance policy when the principal operator of the motor vehicle covered by the insurance policy

(1) is 55 years of age or older;

(2) requests the insurer to provide the reduction;

(3) provides the insurer with proof satisfactory to the director that the operator has within the three years before requesting the reduction taken and successfully completed a motor vehicle accident prevention course approved by the Department of Public Safety under AS 28.05.035; and

(4) did not take and complete the accident prevention course described in (3) of this subsection as a result of an order or sentence imposed by a court.

(g) An insurer may cancel a rate reduction provided under (f) of this section if during the policy period the principal operator of the insured motor vehicle is

(1) involved in an accident caused by the operator; or

(2) convicted of a moving traffic violation.

(h) The reduced rate provided for an operator under (f) of this section may not extend beyond three years after the last day of the operator's most recently successfully completed motor vehicle accident prevention course described in (f)(3) of this section.

* Sec. 2. AS 28.05 is amended by adding a new section to read:

Sec. 28.05.035. COMMISSIONER MAY APPROVE ACCIDENT PREVENTION COURSES. For the purposes of AS 21.89.020(f)(3), the commissioner may approve driver education courses intended to prevent motor vehicle accidents and promote safe driving practices.

* Sec. 3. APPLICABILITY. This Act applies to policies of motor vehicle casualty insurance entered into or renewed after October 1, 1987.

* Sec. 4. This Act takes effect October 1, 1987.

TESTIMONY NOTES 4/10/87
HB 36

The proposed legislation mandates an appropriate premium reduction of not less than 5% for a driver over age 55 who requests the reduction and has within the previous three years completed a motor vehicle accident prevention course approved by the Department of Public Safety.

The principal issue of concern with this legislation is not whether persons meeting the conditions in the bill should receive a credit in their automobile insurance for that condition, but whether the amount of credit should be established in legislation. While such an action would be appropriate where the state is the insurer, it is subject to question in those cases where that insurance is provided by private insurers.

The State of Alaska has not previously mandated specific rates, rate levels or rate values for insurance written in this state. To do so conflicts with the insurance rate law (AS 21.39.010 et seq.) which requires that a rate shall be neither excessive, inadequate, nor unfairly discriminatory. If rate reductions or changes occur due to particular conditions, the law now requires that the credit should actually reflect the experience of the insurer or a group of insurers or persons who meet the conditions for the particular credit.

To the degree that a particular level of mandated credit is incorrect, a subsidy is created. When that occurs, the subsidized business finds it difficult to find a standard market. Alaska expends a considerable effort in maintaining a marketplace for a vast variety of kinds of insurance. This is complicated by the fact that Alaska represents about 1/2% of the premium in the United States. To the degree that insurers perceive that Alaska provides a favorable climate and the opportunity for profit (real or imagined), insurers are willing to participate in the Alaska marketplace. When that perception changes due to conditions wrought by regulation or legislation, insurers tend to migrate to more profitable jurisdictions.

A rate reduction may or may not be warranted for the conditions in the bill depending on a number of other factors that a statutorily mandated rate would be unable to consider. An extreme example for sake of illustration would be where an insurer writes only drivers over 55 who meet the conditions set forth in the bill, and whose rates are adequate for that selection of business. In such a case, this proposal would force the insurer to charge a rate that would be inadequate to cover this class of insured. Further, the selection of age 55 may be unfairly discriminatory if other age groups have a similar experience when meeting similar conditions.

We are concerned that the very group this legislation intends to assist, may be hurt by its presence.

An alternative approach that would likely to be less disruptive in terms of our efforts to promote Alaska as a good place for insurers to do business would be to mandate the rule but not the value of the rule.

AMENDMENTS

On page 1, line 11 and 12, remove the words "of not less than 5 percent"

On page 1, line 13, delete the word "casualty" and insert the words "bodily injury liability, property damage liability, and collision"

REPRESENTATIVE
BEN GRUSSENDORF

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LEGISLATIVE COUNCIL

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House of Representatives
SPEAKER OF THE HOUSE

M E M O R A N D U M

TO: Sen. Tim Kelly, Chairman
Senate Labor and Commerce Committee

FROM: Rep. Ben Grussendorf

DATE: April 7, 1987

RE: HB 36

Please find attached the position paper of the American Association of Retired Persons. The original bill provided for at least a 10 percent reduction in premiums charged for a motor vehicle casualty insurance policy for drivers 55 or older. The House Labor and Commerce Committee changed this language to read: ". . . an appropriate reduction of not less than 5 percent." Also this committee added (f)(4) to Section 1 of the bill, which takes into account those drivers who were offered the option of taking a driver improvement course in lieu of a conviction by a court. The House Judiciary Committee added the language regarding the effective date which makes the Act effective October 1, 1987. This was in response to the insurance industries' request, since many policies are written three months in advance.

The main purpose of the bill is to have safer drivers 55 and over. Research shows that driving patterns do change around age 55. Drivers over 55 need a driver improvement course that will take into account the changing response time, loss of night vision, etc. that older drivers experience. As of January 1, 1986, there were 40,835 Alaska licenses issued to drivers 55 and older out of the total 385,401 licenses issued.

AARP charges $7 per course to help cover the cost of the book, all other costs are covered by AARP. The course is taught by volunteers. You do not have to be a member of AARP to take the course. The Alaska Division of Motor Vehicles has already certified the course.

BG/kb

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House of Representatives
SPEAKER OF THE HOUSE

MEMORANDUM

TO: Rep. Ben Grussendorf

FROM: Katherine Buchanan

DATE: February 19, 1987

RE: HB 36

According to Steve Stiles of the National AARP the following state have already passed similar legislation:

Connecticut	Illinois	Rhode Island
Minnesota	New York	North Dakota
Delaware	Arkansas	Kentucky
Louisiana	Virginia	Oklahoma
Florida	Texas	Tennessee
Wyoming	and Washington, D.C.	

The following states recently passed this legislation:

effective July 1, 1986: Washington and West Virginia

effective July 1, 1987: Montana, South Dakota and California

Position Paper

Automobile Insurance Discount

The State Legislative Committee of the American Association of Retired Persons proposes that legislative steps be taken to reduce automobile insurance premiums for motor vehicle operators age 55 and older who complete a state-approved driver education course.

Rationale: Motor vehicle operators age 55 and older are a unique population and have specific physiological considerations and driving problems. How do these individuals compare with age brackets in safe driving practice and incidence of accidents?

In order to obtain an accurate picture it is not enough to consider only age and number of accidents, its necessary to factor in the annual number of miles driven per year. Research shows that the number of annual miles driven by motor vehicle operators begins to decline significantly after age 55. Therefore, an important consideration with regard to the safe driving practices and abilities of older persons is the criteria used to determine accident involvement statistics.

The record of the older driver is good when calculated on the basis of accidents per driver. When the same figures are examined on the basis of miles driven annually, a different picture emerges. This more significant and meaningful statistic highlights the urgent need for corrective measures to re-educate older drivers.

Because older persons drive fewer miles, corrections must be made for driving exposure. When this factor is included in accident involvement rates, and the involvement per exposure is determined, a U-shaped curve of accidents versus age results. Violation and accident rates per mile are higher for the youngest and oldest drivers and lower for those in the middle ranges. Although one can quibble over the exact placement of the curve, a general "U" configuration has emerged in every major study undertaken during the past 10 years.

The National Safety Council reports that when the number of miles driven is taken into account, drivers age 55 and over have a poorer accident record than drivers in their middle years.

The U. S. Department of Transportation identifies the older driver as being age 60 and older and in a group which requires special consideration in the development of driver improvement training procedures. The National Highway Safety Forecast points out that the older driver is adjudged at fault more than middle aged drivers, and due to the population age shifting currently underway in America, is perhaps one of the fastest growing highway safety problem areas.

Older drivers have problems when involved in driving situations requiring quick response, full vision and interaction with other drivers. Typical violations include failure to yield right-of-way, improper turning, incorrect lane changing, passing, and entering and leaving expressways.

The older driver learned to drive during the first forty years of this century, well before the advent of formal driver education programs in the public school systems. The older driver that has completed a formal driver training course is the exception rather than the rule.

These individuals may experience physical changes which affect driving abilities and attitudes. People age at different rates, so age alone is not a fair criterion for determining driving competence. There is no question, however, that driving ability can be affected by the aging process. The gradual failure of sensory acuity associated with aging reduces the quantity and accuracy of information capable of being processed. This reduces the ability of the individual to respond or react to his environment with the speed and judgment current traffic often requires.

Eighty-five to ninety percent of all sensory input needed to drive comes via the eye. Unfortunately, as one ages the need for more illumination increases, glare sensitivity rises, dark adaption lessens, and peripheral vision narrows. Hearing loss also presents problems for older drivers. It is also broadly accepted that as one ages muscles tend to weaken or atrophy.

<u>Primary Objective:</u> By passage of this legislation, will create an economic incentive for older drivers to take a driver improvement course and thereby improve their driving capabilities. This reduces their chances of accident and accident claim filings, and creates a safer driving environment for all . Notably, the proposed legislation brings this about without cost to the state.

The older driver earns the driver improvement discount by taking a positive, reventive step. This incentive discount is given in addition to any other arketing discounts, such as for non-smokers, seat-belt wearers, those reaching a certain age, etc.

The automobile insurance industry writes policies on accidents per age group, and thus considers older drivers to be a reduced risk because of the fewer miles that they drive. In fact, some insurance companies reduce premiums for drivers after age 55 or 65, much the same as they do for drivers after age 25. The issue is not whether some automobile insurance companies may or may not reduce rates for older drivers as a marketing tool. The primary issue is reducing accidents per mile involving drivers age 55 and older.

<u>Action in other states:</u> Legislation has been enacted in 16 states and the District of Columbia which require all automobile insurance companies conducting business in those states to provide a premium reduction to graduates of state-approved driver improvement courses. The list now includes:

State	Discount	Age	Effective Date
AR	Approp. 5-20%	55+	1981
CT	Approp. Min. 5%	62+	1983
DE	10% on liab. & personal injury protection	16+	1982
DC	Approp. 5-10%	55+	1985
FL	Approp. reduction	55+	1986
KY	Approp. reduction	55+	1984

State	Discount	Age	Effective Date
IL	Approp. 5-10%	55+	1982
LA	Approp. 5-10%	55+	1984
MN	Approp. reduction	65+	1985
ND	Approp. 8-10%	55+	1983
NY	Min. 10% on liability	16+	1981
OK	Approp. reduction	55+	1986
RI	Approp. reduction	55+	1984
TN	Approp. 8-10%	55+	1984
TX	10% of premium	16+	1974
VA	Approp. reduction	55+	1985
WY	Not less than 10% of premium	60+	1983

Many other state legislatures are considering this legislation. It is hoped that will add this legislation to its statutes.

CONCERNS AND RESPONSES REGARDING OLDER DRIVER DISCOUNT LEGISLATION

Prepared by AARP's State Legislative Committee

A. <u>CONCERN</u>: Since statistics seem to show drivers age 55 and older among the safest on the road, what is the rationale for legislation that would encourage participation at a driver improvement course?

<u>RESPONSE</u>: The National Safety Council finds that drivers age 55 and older have a poorer accident record, considering the number of miles driven, than do drivers in their middle years. The U. S. Department of Transportation statistics agree: older drivers are at fault more frequently than middle age drivers in accidents and violations reported by law enforcement officials.

It is not enough to consider only age and the number of accidents. From this limited perspective one sees that drivers 55 and older make up 24% of the driving population, yet are involved in only 18% of the accidents. But when driving exposure is considered, measured by the number of miles driven, older drivers have a higher percentage of accidents than their population warrants. Violation and accident rates per mile is higher for the youngest and oldest drivers, and lower for those in the middle range.

Research shows that the aging processes that affect driving generally become significant when persons reach their fifties. The U. S. Department of Transportation recommends that special consideration be given to older drivers when driver improvement courses are developed.

B. <u>CONCERN</u>: Since a number of driver improvement courses already exist, why aren't older drivers enrolling?

<u>RESPONSE</u>: Older drivers do enroll in driver improvement courses, nationwide and here in   . Many more will do so, however, when an economic incentive is available through legislative mandate. Experience in other states that have passed this type of legislation has shown that most people need an economic incentive to actively seek improvement of their driving skills. In   of our neighboring states,   experience with this legislation and   of older drivers are now enrolling there. Should   enact this bill, there will be accident claim reductions and fewer injuries and fatalities on our roads as well.

C. <u>CONCERN</u>: It seems that older drivers are being singled out for special consideration. Isn't this age discrimination? Why not allow drivers of all ages to participate in any mandated insurance incentive program?

<u>RESPONSE:</u> The American Association of Retired Persons is interested in resolving problems of older persons. However, if will pass legislation allowing discounts for all drivers attending driver improvement courses, we would not be opposed. We have been informed by numerous insurance companies and insurance trade associations that they are against legislation involving the younger driver. In fact they have fought against including drivers below age 55 in many states where legislation has been enacted for drivers age 55 and over. This legislation does not establish a special category of drivers in any discriminating sense. It simply recognizes an area of need and provides an incentive to help older drivers and the insurance industry reduce accidents and accident claims.

D. <u>CONCERN:</u> Many automobile insurance companies already offer discounts for older drivers based on accidents per age group. Would this legislation jeopardize these discounts?

<u>RESPONSE:</u>

Sixteen states and the District of Columbia have already enacted similar legislation. The discount provided to graduates of approved driver improvement courses is the last discount applied. The automobile insurance industry writes policies on accidents per age group and thus considers older drivers a good risk, due to the fewer miles that they drive. In fact, some insurance companies reduce premiums for drivers after age 55 or 65, much the same as they do for drivers after age 25.

The goal of mandated legislation, however, is to provide an <u>incentive</u> discount on automobile insurance premiums that encourages older drivers to take a driver improvement course and to reduce the chances of accidents and claim filings. The driver earns the discount by taking a positive prevention step, unrelated to any other discount.

The discount given graduates of approved driver education courses is given in addition to any other marketing discounts provided to non smokers, seat belt wearers, those reaching a certain age, etc. None of these marketing discounts was dropped when states mandated this legislation.

E. <u>CONCERN:</u> Would drivers not involved in driver improvement courses have to subsidize the discount provided to those who complete one of the approved courses by paying higher premiums?

<u>RESPONSE:</u> This has not been the case in the other mandated states. In Texas where the insurance discount has been in effect for 10 years, the phrase used by insurance companies is that the discount is "fully earned". Although most states recently enacted this legislation, it is our belief that time will show accident and violation reduction. The insurance companies will save money due

to fewer accident claim filings. As a consequence drivers not participating in the mandated insurance driver improvement program will not pay a higher premium, but will be encouraged by their insurance companies to enroll in a driver improvement course.

F. CONCERN: Why must the word mandated to be included in the language? Can't the language be changed to allow voluntary participation?

RESPONSE: Any company may provide a voluntary discount at present. Unfortunately, few have chosen to do so. If all are required to participate, insurance companies have said that they would go along.

G. CONCERN: The legislation includes the term "appropriate reduction" and contains a retake feature. What does this mean?

RESPONSE: The term "appropriate reduction" would allow competition within the insurance industry of   to set the reduction percentage. In other words, if the bill becomes law, no one would dictate the terms of an "appropriate reduction" to the state's insurance industry. Each company in the state would set its own discount rate and be able to raise or lower the percentage [illegible] year based on the accident claims experience of policyholders that graduate from approve driver improvement courses.

Experience in other states with similar legislation has demonstrated the competitiveness of this feature. Companies have selectively increased refresher course discounts as a marketing tool to attract new clients.

The insurance trade associations also feel that any individual graduating from an approved course should retake an approved curriculum every two or three years. This keeps information current, and also refreshes the driver on necessary skills and techniques to remember.

H. CONCERN: What research is available to prove driver improvement courses work?

RESPONSE: Numerous studies have been conducted on the well known courses, and the results demonstrate effectiveness. It is worth noting that no state has rescinded this type of legislation, and to remember the 10 years' experience in Texas that finds discounts to be "fully earned".

The insurance industry, however, considers these evaluations to be limited tests that do not demonstrate 'statistical significance' in their accident or violation reduction findings. In order to satisfy the insurance industry, and demonstrate 'statistical significance', an older driver course evaluation must involve 20,000-30,000 students, randomly assigned to a control group that doesn't take the course and a treatment group that completes the course. Both groups need to be followed for a period of time via questionnaires and a sample of Department of Motor Vehicle records must be accessed to validate self report forms. Financially and logistically, this has proved impossible for course developers. The insurance industry has not been willing to initiate a study of this size or to work with course developers.

I. CONCERN: Does AARP make money on its driver improvement course?

RESPONSE: No. AARP actually subsidizes approximately two-thirds of overall program costs, and charges each participant a minimal fee to offset the balance of expenses. Sponsors' purpose behind driver improvement courses, at least for the major well-known programs, is education rather than financial reward. But AARP is not in a position to speak conclusively for other organizations.

J. CONCERN: Why is it that several of the states which have passed this legislation have only a small percentage of eligible drivers participating to date?

RESPONSE: Although approved courses are widely publicized, they need help from the insurance companies to notify potential participants. Automobile insurance companies doing business in should be requested to notify their eligible policyholders that the discount can be obtained upon completion of an approved course.

K. CONCERN: How would the legislation be implemented?

RESPONSE: In the proposed legislation, an appropriate state agency is designated to select the courses that will be approved for the mandated insurance discount program. In most states the Department of Motor Vehicles has been selected. Program regulations and guidelines are usually drawn up in consultation with officials of states which have already passed similar legislation.

L. CONCERN: Will this legislation cost the state anything?

RESPONSE: There is no fiscal note for the state.

FOR FURTHER INFORMATION REGARDING THIS PROGRAM WRITE:

AARP
Traffic & Driver Safety Program
1909 K Street, N.W.
Washington, D.C. 20049

Summary Analysis
55 Alive/Mature Driving

	# of 1983 Graduates	# of 1984 Graduates	# of 1985 Graduates	# + or -, 1984-1985	% + or -, 1984-1985	Penetration Rate (% Grads to 50+ Driver Population)	Rank Among 52 Jurisdictions: # Grads	# +/-	% +/-	Penetration
REA IX	2,208	3,725	6,212	2,487	67%	.1123	7	6	6	2
AZ	871	900	1,461	561	62%	.2493	12	21	37	15
CA	1,212	2,661	4,599	1,938	73%	.0993	3	5	34	26
HI	113	70	76	6	9%	.0511	47	47	47	35
NV	12	94	76	-18	-19%	.0433	48	48	50	39
REA X	710	1,087	2,973	1,886	174%	.2751	[illegible]	4	3	7
AK	-	28	128	100	357%	.2727	44	38	3	13
ID	33	19	70	51	268%	.1387	43	41	10	44
OR	130	390	1,165	775	199%	.2093	14	12	16	17
WA	547	650	1,610	960	148%	.1377	12	10	25	19
TAL	51,179	60,177	98,941	38,764	64%	.2127				

AARP

55 ALIVE

55 ALIVE/MATURE DRIVING

Background

The AMERICAN ASSOCIATION OF RETIRED PERSONS was founded in 1958. Today the Association is the nation's leading nonprofit, nonpartisan organization that provides a vital fellowship for men and women age 50 and over whether they are still actively employed, semi-retired or retired.

Currently the Association's membership stands at just over 19 million and continues to grow at a rate of 200,000 new members each month. Approximately 1 out of every 3 Americans age 50 and over belongs to AARP. For interested members there are more than 5,000 chapters nationwide which work for local community welfare, carry on programs to support the goals of the national organization, and provide educational and social programs.

One of AARP's most significant services is to inform and rally members around legislative issues being considered by older persons.

Recognizing the need to help older drivers improve their skills and prevent traffic accidents, AARP offers 55 ALIVE/MATURE DRIVING to all motorists age 50 and over. The eight hour classroom refresher is the first nationwide, comprehensive curriculum designed especially for the older motorist. 55 ALIVE/MATURE DRIVING is available to both Association members and non-members.

AARP's involvement in Driver Improvement education for older Americans began in 1969. In that year the Association commenced teaching the National Safety Council's (NSC) Defensive Driving Course (DDC) to older Americans nationwide. The program grew dramatically each year and by 1979, when the DDC was phased out, more than 400,000 older Americans had completed the course. In addition, the National Safety Council honored AARP as the number one civilian trainer of drivers every year between 1969 and 1979. The ten consecutive awards cite outstanding contributions to adult driver education.

One reason for the program's extraordinary growth rate was the enthusiastic response from Association members who volunteered to become instructors. More than 4,000 instructors age 50 and over were trained by AARP during the involvement with DDC.

Beneficial as this training effort was, the DDC program had some limitations for older motorists. It was felt that another program was needed. The DDC was not geared to compensate for the age-related physical changes of older persons. It was designed for all drivers age 16 and over. As such, areas which are not seen as serious problems for the older driver are given considerable emphasis. Age-related areas of importance are not covered in detail during the DDC presentation. In developing a specific classroom refresher curriculum for older motorists it was concluded that age-related physical changes, declining perceptual skills, rules of the road, local driving problems and license renewal merited prime consideration.

An additional change deemed necessary was in the manner of program presentation. Older adults learn best and have the greatest retention rate when the opportunity to participate in the learning process is maximized.

Convinced that older drivers should have a training program of their own, AARP decided to create one. Data was collected from all the nation's state departments of motor vehicles, state agencies on aging, state offices of highway safety and state departments of transportation. Along with that canvassing, materials were reviewed and contributions received from Safety Councils, Associations, Universities and various agencies of the federal government. Discussions were held with many of the nation's distinguished traffic safety educators to obtain their views regarding the needs of older drivers. During this process a total of 12 older driver courses were uncovered that had been developed since 1961. Most were shortlived but they were examined for their successes and failures. The result is the first comprehensive driver education program fashioned specifically to meet the needs of older motorists. The new program is titled 55 ALIVE/MATURE DRIVING.

Development

55 ALIVE/MATURE DRIVING concentrates on those driver education concerns important for older Americans.

In the United States, there are approximately 45 million registered drivers age 50 and over. This constitutes 30% of all drivers on the nation's roadways. According to U.S. Government figures this is expected to increase significantly by 1990. It is anticipated that women drivers over age 65 will increase 129% over the next five years.

Drivers over age 50 are a unique population and have specific physiological considerations and driving problems. 55 ALIVE/MATURE DRIVING is aimed at this target population. How do these individuals compare with other age brackets in safe driving practice and incidence of accidents? In order to obtain an accurate picture it is not enough to consider only age and number of accidents, it is necessary to factor in the annual number of miles driven per year. Research shows that the number of annual miles driven by motor vehicle operators begins to decline significantly after *age 55*. Therefore, an important consideration with regard to the safe driving practices and abilities of older persons is the criteria used to determine accident involvement statistics. The record of the older driver is good when calculated on the basis of accidents per driver. When the same figures are examined on the basis of miles driven annually a different picture emerges. This more significant and meaningful statistic highlights the urgent need for corrective measures to re-educate older drivers.

Since older persons drive fewer miles, corrections must be made for driving exposure. When this factor is included in accident involvement rates, and the involvement per exposure is determined, a U-shaped curve of accidents versus age results. Violation and accident rates per mile are higher for the youngest and oldest drivers and lower for those in the middle ranges. Although one can quibble over the exact placement of the curve, a general "U" configuration has emerged in every major study undertaken during the past 30 years.

The National Safety Council reports that when the number of miles driven is taken into account, drivers age 55 and over have a poorer accident record than drivers in their middle years.

The U.S. Department of Transportation identifies the older driver as being age 60 and older and a group which requires special consideration in the development of driver improvement training procedures. The National Highway Safety Forecast points out that the older driver is adjudged at fault more frequently than middle aged drivers, and due to the population age shifting currently underway in America, is perhaps *one of the fastest growing highway safety problem areas.*

Older drivers do not commit traffic violations such as speeding, drunk driving or reckless driving to any significant degree.

Older drivers do have problems when involved in driving situations requiring quick response, full vision and interaction with other drivers. Typical violations include failure to yield right-of-way, improper turning, incorrect lane changing, passing, and entering and leaving expressways.

The older driver learned to drive during the first forty years of this century, well before the advent of formal driver education programs in the public school systems. The older driver that has completed a formal driver training course is the exception rather than the rule.

These individuals may experience physical changes which affect driving abilities and attitudes. People age at different rates so age alone is not a fair criterion for determining driving competence, and there is no question that driving ability can be affected by the aging process. The gradual failure of sensory acuity associated with aging reduces the quantity and accuracy of information capable of being processed. This reduces the ability of the individual to respond or react to his environment with the speed and judgement current traffic often requires.

Eighty-five to ninety percent of all sensory input needed to drive comes via the eye. Unfortunately, as one ages the need for more illumination increases, glare sensitivity rises, dark adaption lessens, and peripheral vision narrows. Hearing loss also presents problems for older drivers. It is also broadly accepted that as one ages muscles tend to weaken or atrophy.

Research shows that normal age related physical changes begin to accelerate at age 55. Accidents per mile driven begin to increase at this same age. This is the reason we call the course 55 ALIVE/MATURE DRIVING. The course title has nothing to do with the 55 mph speed limit.

We accept all motor vehicle drivers age 50 and over because this action allows the 50–54 year old age group to prepare for the normal age related physical changes and anticipate accident behavior. It gives them a head start.

Curriculum: Edition II

The 55 ALIVE/MATURE DRIVING curriculum consists of six separate sessions. The course is given three sessions at a time over a two day period. Each three session segment lasts four hours.

Session One: Overview

To define course content, a series of slides describes the characteristics of the driver age 55 and over and establishes the relevance of the curriculum that will follow. Group discussion centers on driving frustrations and effects of aging on individual driving behavior.

Session Two: Physical Changes

Discussion is held on the many unrecognized but normal losses in vision, hearing and reaction time as they relate to driving performance. The session concludes with an examination of the effects of alcohol and medication on driving.

Session Three: Interacting with Traffic

Basic rules of driving particularly pertinent to the 55+ driver are discussed. These include right-of-way, intersections, turning and passing. A review of the shapes, colors and types of road signs as well as pavement markings is featured.

Session Four: Interacting with Traffic Continued . . . and Safety Belts

A discussion of the rules of the road continues with entering and leaving freeways, parking and backing. Safety belt usage and nonusage is considered as well as what a driver can expect if involved in an accident while not wearing a safety belt.

Session Five: Accident Prevention Measures, Adverse Driving Conditions, Other Road Users and Auto Maintenance

Accident prevention measures and the effect of adverse driving conditions such as night, inclement weather and rush hour driving are considered. Discussion of other road users spotlights pedestrians, bicycles, trucks, motorcycles, towed vehicles, and stray animals. Proper techniques for handling unexpected driving emergencies are reviewed. Fuel economy measures are recommended. Suggestions are made regarding comparison shopping for automobile insurance. The proper way to maintain your automobile is discussed.

Session Six: Perception and Course Wrap-up

A series of slides present perceptual problems likely to be encountered in various driving environments. Group discussion focuses on major driving hazards in specific driving environments. A brief review of the previous sessions conclude the course.

Conduct Of Courses

Courses are conducted by volunteers aged 50 and over utilizing the peer concept. These volunteers are recruited and trained by AARP in a three phase process. An Instructor Training Session provides the overall training to conduct educational discussion groups and review educational learning skills. In the second phase the Instructor's first course is conducted as a practice teaching session in that it is monitored by the trainer. The last phase is an on-going supervision process supplemented by in-service training workshops held regularly. All of these costs are subsidized by the Association.

Each participant in 55 ALIVE/MATURE DRIVING is charged a minimal fee to help offset overall program costs which include instructor recruitment and training, instructor out-of-pocket expenses, ongoing supervisory training nationwide, and program materials and their distribution. AARP subsidizes the remaining expenses amounting to 50%. Each Instructor volunteers his/her time and recruits sponsors who provide a rental free facility and slide projector.

Evaluation

Between 1979 and 1981 55 ALIVE/MATURE DRIVING was subjected to one of the most exhaustive, independent and penetrating evaluations of any driver education curriculum on the market today by the U.S. Department of Transportation.

The two-year evaluation included random assignment of participants into a control group and treatment group. The control group did not take the course but filled out a series of questionnaires, at one year intervals, on their driving behavior and attitudes; personal accident and violation data were requested for the last three years. The control group also completed several knowledge tests during this same period.

The treatment group completed 55 ALIVE/MATURE DRIVING and filled out the same questionnaires as the control group in the same one-year intervals over a two-year perod. Project staff accessed state DMV records on a good sample of treatment and control group members to validate the self-report questionnaires completed by both groups.

Evaluation staff members have been concerned from the outset that, due to reduced annual mileage after age 55, older drivers take longer to have accidents, and it would be difficult in this limited evaluation to demonstrate statistical significance in accident and violation reduction. This proved to be the case.

Project researchers found a large and statistically significant increase in knowledge in the treatment group that was retained during the entire evaluation period. Drivers taking the 55 ALIVE/MATURE DRIVING course showed a trend in violation reduction; although numbering several thousand, the evaluation participants were not large enough in numbers to demonstrate statistical significance regarding accidents.

Insurance Reduction

Currently several automobile insurance companies voluntarily provide premium reductions to graduates of 55 ALIVE/MATURE DRIVING in selected states. In addition legislation has been enacted in 14 states and the District of Columbia which require all Automobile Insurance companies conducting business in those states to provide a premium discount to graduates of state-approved Driver Improvement courses. AARP's 55 ALIVE/MATURE DRIVING is approved in every state.

The list now includes:

State	*Discount*	*Age*	*Effective Date*
AR	Approp. 5–20%	55+	1981
CT	Approp. Min. 5%	62+	1983
DE	10% on liab. & personal injury protection	16+	1982
DC	Approp. 5–10%	55+	1985
KY	Approp. reduction	55+	1984
IL	Approp. 5–10%	55+	1982
LA	Approp. 5–10%	55+	1984
MN	Approp. reduction	65+	1985
ND	Approp. 8–10%	55+	1983
NY	Min. 10% on liability	16+	1981
RI	Approp. reduction	55+	1984
TN	Approp. 8–10%	55+	1984
TX	10% of premium	16+	1974
VA	Approp. reduction	55+	1985
WY	Not less than 10% of premium	60+	1983

Many other states are currently considering this mandated legislation.

We know that 55 ALIVE/MATURE DRIVING will substantially improve the driving skills of older motorists. We're convinced the program will help older drivers update driving knowledge, sharpen skills and remain on the road longer. Under this program we will be able to reach out to the entire community and offer the services to all people age 50 and over, not just Association members. As a result, a lot more people will benefit. In fact, we believe in time the program could emerge as a national model for traffic safety officials.

For Further Information Regarding This Program Write:

AARP
Traffic & Driver Safety Program
Program Department
1909 K Street, N.W.
Washington, DC 20049

DEPARTMENT OF PUBLIC SAFETY

BILL NO: CSHB 36(Jud)

DATE: March 13, 1987

TITLE: An Act requiring certain motor vehicle insurance policies to provide reduced rates for certain persons

CONTACT: Bill Brown
465-4335

The bill requires an insurance company to reduce motor vehicle casualty insurance premiums if an applicant is 55 years of age or older, has recently taken an accident prevention course approved by the Department of Public Safety, and asks for the reduction.

The department currently approves driver improvement courses for a reduction of points under AS 28.15.241(b). Since these courses must meet the criteria set out in Section 2 of this bill, there will be little impact on the department as the same courses would be applicable for the premium reduction.

The department is neutral on this bill.

William R. Nix

WILLIAM R. NIX
Acting Commissioner

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

REQUEST:

Bill Version : CSHB 36 (Jud)
Publish Date :

Revision Date:
Title : An Act requiring certain motor vehicle insurance policies to provide...
Sponsor : Grussendorf
Requestor : Senate Labor & Commerce

Agency Affected : Public Safety
BRU : Motor Vehicles

Components :

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	-0-	-0-	-0-	-0-	-0-	-0-

CAPITAL						

REVENUE						

FUNDING: (Thousands of Dollars)

GENERAL FUND						
FEDERAL FUNDS						
OTHER						
TOTAL	-0-	-0-	-0-	-0-	-0-	-0-

POSITIONS:

FULL-TIME						
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

No fiscal impact on this department.

JNC
3/16/87

Prepared by : Bill Brown
Phone : 465-4335
Division : Motor Vehicles
Date : 3-16-87

Approved by Commissioner : X [signature]
Date : 3/16/87
Agency : Public Safety

Distribution (by preparer):
- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)
- Senate Secretary

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VALDEZ, ALASKA 99686
TELEPHONE (907) 835-2988

March 19, 1987

Senator Tim Kelly
Alaska State Legislature
P. O. Box V
Juneau, Alaska 99811

Re: House Bill 36

Dear Senator Kelly:

I am writing to you on behalf of our clients, State Farm and Allstate Insurance Companies in opposition to House Bill 36 which is currently in the Senate Labor and Commerce Committee.

This bill, particularly as currently drafted is troublesome to our clients for a number of reasons. While driver improvement programs for the elderly should be encouraged, legislatively mandated insurance rate discounts should not. HB 36 mandates a minimal 5% premium reduction. The State of Alaska has not previously mandated specific rates, rate levels or rate values for insurance and to do so is, in fact, in contravention of the insurance rate law. AS 21.39.010 et seq. If rate reductions or changes occur due to particular conditions, such as the taking of driver improvement courses, the law now requires that the credit should actually reflect the experience of the insurer or a group of insurers for the persons who meet conditions for the particular credit. To the degree that a mandated credit cannot be actuarially justified, a subsidy is created. This is particularly ironic in light of recent studies indicating that the elderly are in better financial shape than other age groups. Attached is a March 2, 1987 <u>Washington Times</u> article underscoring these conclusions. In essence, if the minimal 5%

reduction cannot be actuarially justified, other policyholders will have to subsidize the elderly and they are the class most able to pay.

Further, HB 36 could adversely impact the elderly drivers it now seeks to assist. For example, effective May 1, 1987, State Farm will offer in Alaska a 10% discount to drivers between the ages of 50 and 65 with good driving records and no youthful drivers. This discount is based on current actuarial data. Allstate provides a similar discount. If this bill passes, it is possible that these programs with higher discounts to seniors would be abandoned in order to comply with the statutory minimal discount of 5%. This would be detrimental to the elderly drivers who could have had a 10% discount without the legislation.

In a competitive market, the price of automobile insurance will reflect costs more quickly and more accurately than in a non-competitive or controlled market such as the one that will be created if HB 36 passes. For these reasons, HB 36 should not be enacted. If it is, in order to prevent inequities and the risk of creating a subsidy, no specific rate of percentage should be specified. Rather, section 1(f) should be amended to require that the insurer provide an "appropriate" or alternatively, an "actuarially justified" discount. The overwhelming majority of states which have enacted laws of this nature have used language similar to this rather than establishing a fixed or minimal percentage. Further, in order to minimize the risk of subsidy, the discount should be limited to apply only to bodily injury and property damage liability, medical payments and collision coverages as these are the only coverages that relate to an insured's driving ability and where diminished costs could be expected if there is an improvement in the driving records of this class of persons. In section f(3) we would request an amendment requiring that the course be taken within two years rather than three years prior to seeking the reduction.

We hope that upon careful consideration of these factors, you will agree that HB 36, particularly in its present draft should not be enacted.

Please feel free to contact me if I may provide any additional information or answer any questions you or the committee members may have.

Sincerely,

HUGHES, THORSNESS, GANTZ,
POWELL & BRUNDIN

By: Donna P. Walker
Donna P. Walker

DPW/pl
0207B

Enclosure
cc: Senate Labor & Commerce
Committee Members

Insight

The Washington Times

March 2, 1987 – $2.00

THE SENIOR CITIZEN SECRET

[illegible]

Insight

The Washington Times

Vol. 3, No. 9

8 / Vintage Years

18 / The Economic Race

34 / Isolated Albanians

COVER STORY

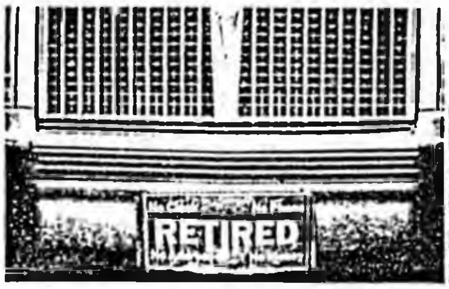
NATION

WORLD

COVER GRAPHIC BY MATT ZANG / INSIGHT

Greener Era for

SUMMARY: Forget the image of retirement as the desperate years. People older than 65 constitute the nation's second-richest age group and are increasingly able to maintain preretirement standards of living. Despite this progress and a host of public and private programs, the elderly remain vulnerable in two areas: dealing with catastrophic illness — a problem that is spawning proposals for federal legislation — and paying the bewildering cost of long-term care in nursing homes.



RICHARD KOZAK / INSIGHT

Contrary to popular myth, America's senior citizens are not as a general rule eating dog food in squalid apartments in declining, crime-ridden urban neighborhoods as they wait for the Social Security check to arrive.

In fact, Americans over 65 are the second-richest age group in U.S. society. Only those Americans in the next-oldest age bracket, from 55 to 64, are better-off. The assets of the aged are now nearly twice the median for the nation: The median net worth of their households in 1984 was $60,266, while the median for all Americans was $32,677.

And it is not just assets and home equity that makes them wealthier. If one divides household income by the number of members in the household, the elderly earn slightly more than the national average. More significant, the elderly household income is greater than that for households headed by the youngest working Americans, those under 25. Some economists say this marks the reversal of a historical trend: Workers traditionally have earned more money than retirees.

While there are still disadvantaged people among the elderly, those over 65 have since 1982 reported a lower poverty rate than the population as a whole and are widening their advantage — another reversal of historical trends.

Some elderly continue to save into retirement and do not reduce their assets. Even if one removes home equity (the biggest slice of most Americans' wealth), the elderly had a median household net worth of $18,790. The general population: $7,783.

The Federal Reserve Board's Survey of Consumer Finances for 1983 pinpoints the sources of wealth for the elderly: More than half have savings accounts, with a median value of $2,400. Certificates of deposit are held by 37 percent of elderly families, with a median value of $20,000. Stock holdings by 21 percent of the elderly have a median value of $10,000, while money market accounts, held by 18 percent, have a median value of $11,000.

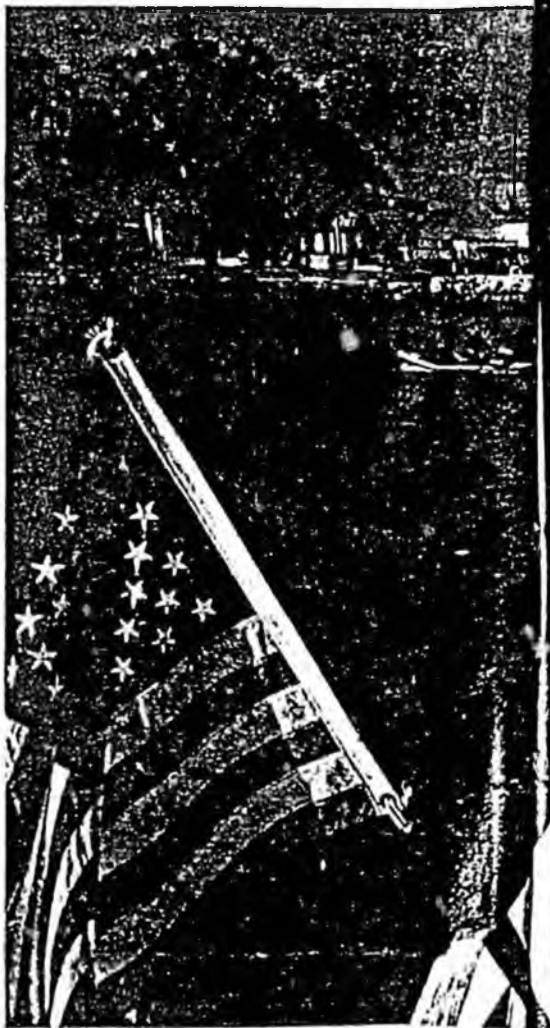
It appears that more of the elderly have also achieved another important goal: Those with Social Security and a pension are more likely to maintain the standard of living they could afford when they worked, according to economist Emily S. Andrews of the Employee Benefit Research Institute. She estimates the total of all pension and Social Security income paid to retirees, government and private, to be $300 billion a year.

Overall, the economist says, "it's a tremendous success story. We have succeeded far more than we thought we would as a society" since government and private efforts sought to reduce the 35 percent poverty levels among the elderly in the 1950s.

What all this means is that the traditional "financial life cycle" of the elderly is being altered. The pattern has been that wealth peaks at the point at which people retire; low expenses and high equity combine to offer many people more financial freedom than they have ever had, the kind of freedom that allows for retirement in the first place. But traditionally, during the course of retirement, that wealth has gradually been spent on living costs and health care, until a point at which most elderly people have declined into poverty. That pattern is now being broken for many.

The new self-sufficiency of the elderly may be the best indicator of their condition. More than 90 percent of the elderly live alone or with their spouse. "This is a good reflection of economic well-being," says political economist Bruce Jacobs of the University of Rochester. He cites polls of the aged by Lou Harris in both 1974 and 1981 that report the elderly feel they are in better shape than the rest of the country believes them to be.

How can this be? A number of factors reduce the cost of living for the elderly. The elderly have lower tax rates. Elderly households are smaller than those of most working people: There are no children. Thus they need less to meet basic needs. They have no commuting costs, and clothing requirements are greatly reduced. Most of the 73 percent who own their homes have



New self-sufficiency for the elderly: "A good reflection of economic well-being"

Gray America

JAMES KAMP / BLACK STAR

paid off the mortgages so they have no monthly payment. Many of the others are more likely to live in subsidized public housing than the rest of the population.

The elderly are the primary beneficiaries of federal social spending. The portion of the federal budget benefiting the aged has risen from 6 percent to 30 percent since 1960, according to Rita Ricardo-Campbell of the Hoover Institution. Rochester's Jacobs calculates that the elderly received more than 75 percent of the $450 billion in social entitlements (those that are not means-tested) in the 1986 federal budget. He estimates total spending on the aged to be about $350 billion, more than the entire defense budget, more than any other part of the federal budget.

How much retirement income is needed to sustain a living standard? Paul R. Westbrook, a retirement planner with the New Jersey-based Buck Consultants Inc., says a retiree should have enough pension earnings, interest and dividend income, and Social Security to equal 64 percent of his preretirement income. (This is often referred to as the replacement rate, the rate at which retirement income replaces preretirement income.)

Social Security alone usually cannot maintain a retiree's standard of living. Benefits average only 40 percent of the replacement rate, 27 percent and less for those whose incomes were at the ceiling level for Social Security taxes. The average new beneficiary today is paid $467 a month, or $5,604 a year. The highest payment for new beneficiaries is $792 a month, $9,504 a year. The total income for a working couple now retiring is closer to $900 a month.

Part-time work, savings and pensions can close the gap for those who want to reach the replacement rate. Pensions are the key. Andrews has calculated that 37 percent of retirees with families receive pensions. The average benefit is $5,315 a year, about $100 a week (these are the projected benefits for those recently retired and those about to retire, based on the records of workers aged 55 to 64 in 1982). When added to typical Social Security earnings, these pensions nearly double the average income of retirees. Andrews predicts eventually 71 percent of today's young workers will earn pension income when they retire. (Others worry that savings rates among the young may not be high enough and job changes too frequent to provide the good incomes of current retirees.)

One reason retirees can live on less money than the working population is that they pay lower taxes. Social Security, the base income for retirees, is not taxed for most recipients (singles earning less than $25,000 a year and couples earning less than $32,000 a year). For others, no more than half of the benefits are counted toward total taxable income.

Data from an income survey of the Bureau of the Census for 1984 reveals that those over 65 had average household incomes of $18,279 — somewhat less than the nation's average household income of $27,464. But if that income is divided by the number of household members, the elderly are a little better-off than the national average per household member — $10,316 to $10,207.

Average per capita household income for those over 65 is higher than for all those under 45 — those most likely to have children and, thus, more people per household. For example, per capita income for the 35 to 44 age group was $9,646, while for the 25 to 34 group it was $9,147.

These data show that the distribution of wealth and income has changed dramatically since Social Security was created in 1935, according to Rita Ricardo-Campbell. In those days the aged earned far less than working heads of households. Today "more than half of all adults are paying more in Social Security taxes than in personal income tax," she says. These lower incomes for young workers require both spouses to work, including 70 percent of women in their childbearing years.

All is not rosy for America's elderly. Ricardo-Campbell found those over 85 "are still the poorest in society." The American Association of Retired Persons is concerned about those who are near poverty. "More than one in five of the elderly," says the association's Judy Shub, "are near or below the poverty line."

Leisure time for those at retirement communities in Maryland (left) and Florida

In 1985, the poverty level for the 65-and-older group as a whole was lower than the national level: The national poverty rate was 14 percent but only 12.6 percent for those 65 and older. But since 8.3 percent of the elderly are also officially classified as "near poverty," that brings the total near or below the poverty line to 20.9 percent, compared with 18.7 percent for the nation.

This elderly poverty, however, may be overstated by official data, according to many economists, because it does not include a whole range of government benefits and other mitigating factors. If their market value were considered part of income, benefits such as food stamps and public housing would lower the poverty rate for the elderly to 10.7 percent (and the nation's rate to 12.5 percent), according to June O'Neill of the U.S. Commission on Civil Rights. And if the market value of all medical benefits given to the elderly are added, she says, the poverty rate for those over 65 could be as low as 2.9 percent (and 9.1 percent for the nation).

The elderly may actually be earning more than they report. There's a "strong likelihood" that some elderly people do not report their full income to the Internal Revenue Service, presumably because they fear it may endanger their Social Security earnings, says Robert J. Myers, former executive director of the National Commission on Social Security Reform.

Myers cites a report by Mindy Upp in the January 1983 Social Security Bulletin which claimed that Social Security and IRS data indicate the elderly were earning more than they told the Bureau of the Census in its surveys. The income was underreported by more than 41 percent, the report claims. The Census Bureau estimates that the general population underreports its income to the bureau by about 10 percent.

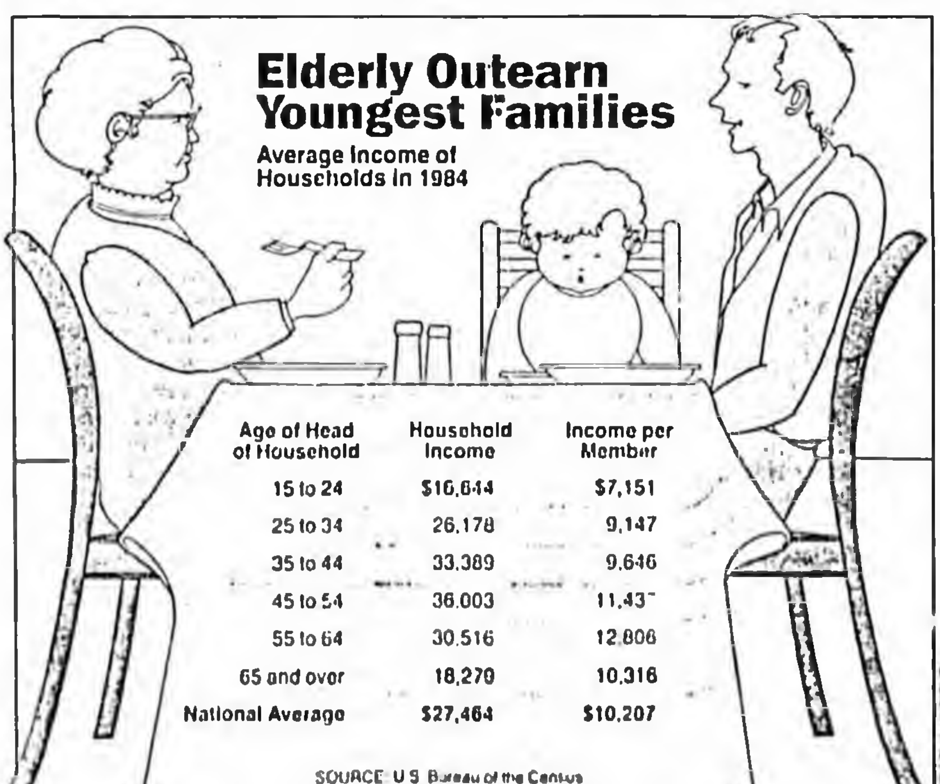
The elderly who did not work long enough to earn a reasonable Social Security benefit are for the most part covered by Supplemental Security Income and Medicaid (a means-tested benefit, unlike Medicare). This leaves two major problem areas: catastrophic illnesses and long-term health care in nursing homes.

Of the two, the more threatening is long-term health care. Very few older Americans can afford any protracted stay in a nursing facility, primarily because they are not insured for it. Many people believe that such stays are covered by Medicare. They aren't, except in some very narrowly defined cases. "The threat of impoverishment is high for those facing either a long-term health problem or nursing home stay," says Marion Ein Lewin, a health care analyst for the American Enterprise Institute. Since nursing home care costs about $30,000 a year, it can quickly deplete the net wealth of most of the aged.

A recent study by the Harvard Medical School has discovered the stark reality that faces the uninsured. Surveying those 75 and older who lived alone in Massachusetts, the researchers found that 46 percent of them would be reduced to poverty after 13 weeks in a nursing home. At the end of two years, 80 percent to 90 percent would be in the metaphorical poorhouse.

Some elderly Americans have been forced deliberately to pauperize themselves to qualify for Medicaid. Peter J. Ferrara, an adjunct scholar with the Cato Institute, estimates that 1,000 patients a year exhaust their insurance and then begin the process of spending their assets. According to the Health Care Financing Administration, half of all Medicaid spending goes for those who went into a nursing home with some financial resources but later spent their assets down to poverty and became qualified for Medicaid.

These expenses are not currently incurred at all for 80 percent of the old and



Elderly Outearn Youngest Families

Average Income of Households in 1984

Age of Head of Household	Household Income	Income per Member
15 to 24	$16,644	$7,151
25 to 34	26,178	9,147
35 to 44	33,389	9,646
45 to 54	36,003	11,437
55 to 64	30,516	12,808
65 and over	18,270	10,316
National Average	$27,464	$10,207

SOURCE: U.S. Bureau of the Census

MICHAL HERON · WOODFIN CAMP & ASSOCIATES

High cost means few of the aged can afford any lengthy stay in a nursing home.

infirm, because they are being cared for at home by relatives and friends, according to Blue Cross and Blue Shield Association spokesman Charlotte Crenson. Or, increasingly, the need can be covered by private insurance. A few years ago, very few commercial insurance companies offered long-term health care insurance; today there are 30 to 40 companies. Insurance companies have discovered that adding at-home health care and nursing home day care to their "nursing home" policies encourages working people to sign up for the policies.

Travelers Insurance Cos. is one of the latest insurers to join the list of those offering this kind of policy. It will introduce its first long-term health care policies in the coming weeks as an employee-paid benefit at companies that carry its group health policies. Workers will also be able to sign up their parents. The monthly premium is $10 for workers in their late 40s but rises to $150 for those 75 years old.

Benefits will include $50 a day for nursing home care or $25 for day care only at a nursing facility. The policy will also cover visits of nurses, therapists or home health aides who help the infirm perform such tasks as bathing, eating and dressing. It has a maximum lifetime benefit of $75,000.

In some respects, the maximum potential costs for the worst cases of extended nursing home care may be "an uninsurable risk," according to Myers. For this reason such insurers as Blue Cross and Blue Shield have approached the market cautiously. They do not want to encourage those already caring for the aged infirm to dump them in nursing homes.

The unmet need in the field of catastrophic health insurance is much more manageable, but the debate is more heated. Ferrara helps clarify the issue by defining the unmet need fairly precisely. He estimates that 70 percent of the elderly are in large part covered for catastrophic illnesses through "medigap" policies that cover most of the medical costs not covered by Medicare. Medicare Part A (hospital costs) is taken from Social Security as a paid-up benefit at retirement. Medicare Part B (doctor bills or Supplemental Medical Insurance) is optional and costs $17.90 a month. Most retired people pay the premium.

This leaves 30 percent of the population outside Medicare and medigap policies. Half of those are covered by Medicaid. That leaves about 15 percent of the elderly population not covered. These are the people who need assistance, according to Bernard R. Tresnowski, president of the Blue Cross and Blue Shield Association. He identifies them as "individuals and families with incomes too low to enable them to afford private coverage but too high to be eligible for Medicaid."

President Reagan has brought the issue of catastrophic health insurance before the nation in his last two State of the Union addresses. He asked the secretary of health and human services, Otis R. Bowen, to make a proposal for a government program.

Bowen recommended federal insurance, to cost retirees less than $5 a month. Reagan endorsed Bowen's proposal Feb. 12, despite opposition within the administration. Observers had expected the president to offer a plan that would keep private insurance efforts intact.

Age and Poverty

Age	Population in Thousands	Poor by Current Standard	Poor by "Market Value"*
Under 6	21,631	23.0%	16.2%
6 to 17	41,245	19.5%	12.5%
18 to 24	27,112	16.5%	13.1%
25 to 44	74,560	10.6%	7.6%
45 to 64	44,723	9.5%	6.5%
65 or older	27,322	12.6%	2.9%
Total	236,594	14.0%	9.1%

* Adds federal noncash food, housing and medical benefits SOURCE: U.S. Bureau of the Census, 1985

ARTHUR EVES · INSIGHT

Tresnowski, a member of Bowen's task force on such insurance, objects to the fact that the plan would nationalize the entire private insurance market for catastrophic illnesses just to meet the needs of a small segment of the elderly population.

He and others fear this could open the door for Congress eventually to cover all long-term health care (including nursing home stays) before the private market can grow to meet most of that need. Having the government pay all long-term health care not covered by current insurance, Ferrara says, would probably increase the present $20 billion a year spent by the federal government to as much as $50 billion.

Since Medicare trust funds may be depleted as early as the 1990s to meet projected needs, placing any additional strains on the system would be problematic. But some congressional liberals call the president's plan inadequate: Rep. Claude Pepper, a Florida Democrat, said it failed to address the more serious issue of nursing home care.

Marion Lewin thinks the government might avoid nationalizing insurance coverage by providing a voucher or subsidy for private medigap insurance for those who cannot afford it. This could very well forestall an enormous new burden on the federal budget and younger workers at a time when neither can afford it.

So far, the U.S. public has not balked at expanding programs for the elderly. Since Social Security is viewed as an insurance program, people "feel they paid for it because they contributed to it," says Jacobs. But "what they are getting back today in the form of Social Security and other benefits is between two and three times as much as what their contributions could have earned if they had been invested in the private sector." He says today's workers are paying for this income transfer with lower net earnings.

These social costs will almost certainly be exacerbated by any expensive new program of government-sponsored catastrophic health insurance, particularly at a time when some younger workers are less well-off than those they will be supporting.

Jacobs thinks it is time to ask a few pointed questions about all the government spending on the elderly: "Is it enough? Is it too much? If we spend so much, why do we still have some very poor? Why do we still have some who can't pay their medical bills?" The government, he believes, has simply failed to "target the money to the people who need it most."

— Robert England