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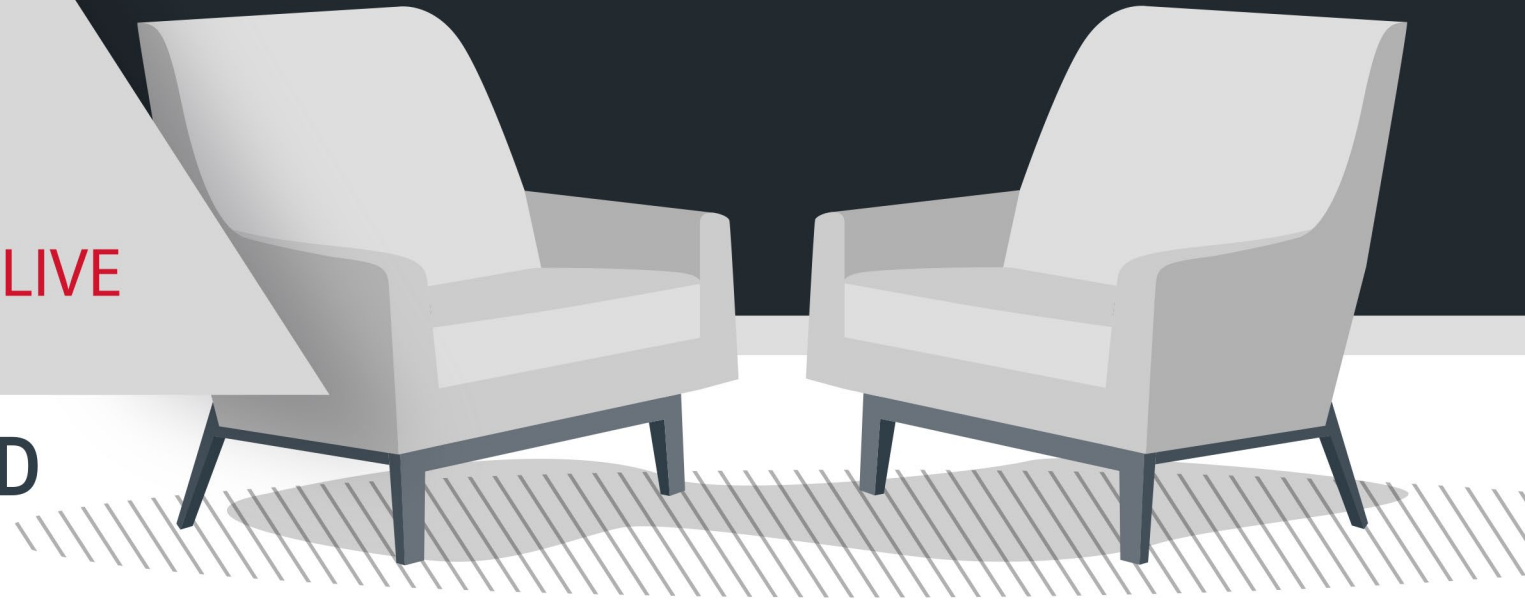
with **ADVISORY BOARD**

TOPIC OF THE WEEK

## Caring for an aging population

*featuring*

Miriam Sznycer-Taub and Ken Leonczyk



Thursdays at 3 p.m. ET

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# Managing your audio

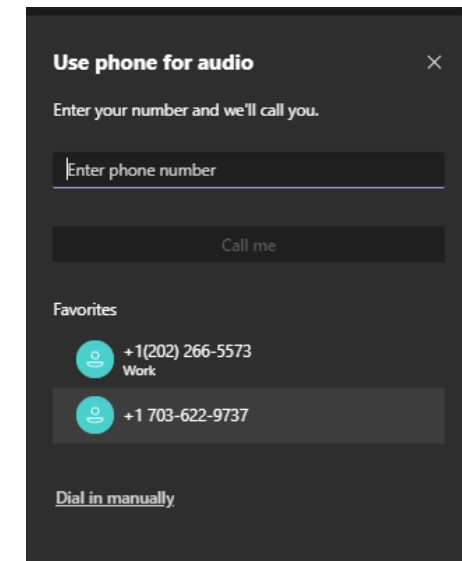
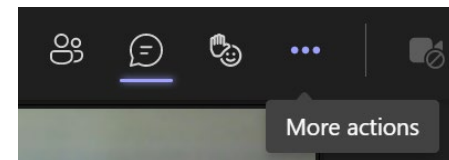
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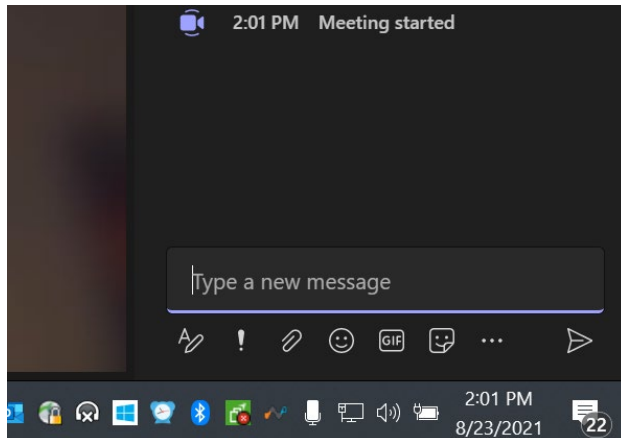
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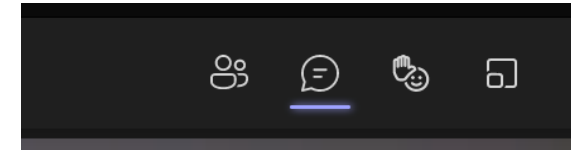
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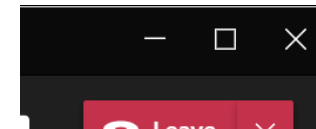


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# Today's Research Experts



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# Caring for an Aging Population

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Challenges facing the health care industry

# What's changed since the first Baby Boomer turned 65?

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## More racially and ethnically diverse older adult population

People of color made up **24%** of the older adult population in 2020, up from 20% in 2009. This is expected to increase to **34%** by 2040.

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## Rise in chronic conditions

**80%** of older adults have at least one chronic condition.

Most common conditions include:

- Hypertension (59.8%)
- High cholesterol (50.5%)
- Arthritis (34.6%)
- Heart disease (28.6%)
- Diabetes (27.1%)
- Chronic kidney disease (24.9%)

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## Increased life expectancy, with some caveats

In 2019, life expectancy reached **78.8 years**.

Growth has slowed in recent years and dipped amid the opioid epidemic and the Covid-19 pandemic—the first two times since World War II.

Source: "2020 Profile of Older Americans," Administration for Community Living, May 2021, [https://acl.gov/sites/default/files/Profile%20of%20OA/2020ProfileOlderAmericans\\_RevisedFinal.pdf](https://acl.gov/sites/default/files/Profile%20of%20OA/2020ProfileOlderAmericans_RevisedFinal.pdf); Centers for Medicare & Medicaid Services, Chronic Conditions Prevalence State/County Table: Fee-for-Service Beneficiaries 65 Years and Over, 2018;

# The industry has adapted, to varying degrees of success

Overall positive impact	Health plans	Driven by.... Expansions in Medicare Advantage offerings.
	Pharmaceutical & Medical Device Companies	Driven by.... Heavy investment in R&D for conditions common in older adults including Alzheimer's and cancer and high utilization for procedural care like orthopedic surgeries.
Overall neutral impact	Hospitals	Driven by.... Limited impact of payer mix shift from commercial to Medicare given the high levels of procedural care needed by initial Baby Boomer cohort.
	Physicians	Driven by.... Limited impact of payer mix shift from commercial to Medicare as payment cuts are generally smaller.
	Digital Health Companies	Driven by... Slow adjustment of product portfolios, though companies are beginning to make specific investments in senior-focused care or home-based care.
Overall negative impact	Post-Acute Care	Driven by... A combination of upward pressure on expenses (including rising labor costs) combined with downward pressure on revenue have led to increasingly precarious financial positions.

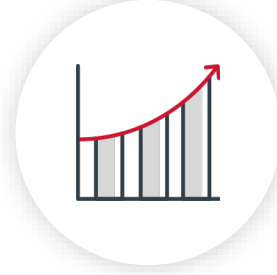


# Upcoming challenges for purchasers and payers



## Looming Medicare insolvency

Projected insolvency in 2026 will only be avoided with reimbursement cuts for plans, providers, or both.



## Projected accelerations in Medicaid expenditure growth

Due to a higher share of enrollment among older adult beneficiaries who are more costly on a per-capita basis.



## Growing scrutiny on Medicare Advantage

As Medicare Advantage enrollment increases, plans will need to demonstrate success to regulators and investors.

# A labor crisis at all levels

Workforce shortages across the entire health care industry **are particularly dire for post-acute care, home health, and long-term care providers.**

**Labor shortages push additional care to unpaid caregivers**, many of whom are still in the workforce and potentially also caring for children.

**>100%**

Annual turnover rate for RNs, LPNs, and CNAs working in nursing homes

**7.8 million**

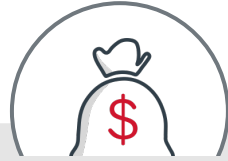
Projected number of direct care workers needed to care for the older adult population by 2026

**67%**

Of caregivers have made at least one personal sacrifice due to the financial costs of caregiving

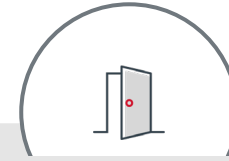
Source: "Average nursing home nursing staff turnover exceeds 100%, report finds," Modern Healthcare, March 2021; "What the 2020s have in store for aging Boomers," Kaiser Health News, January 16, 2020; "CAREGIVING OUT-OF-POCKET COSTS STUDY," AARP, June 2021, [https://www.aarp.org/content/dam/aarp/research/surveys\\_statistics/ltc/2021/family-caregivers-cost-survey-2021.doi.10.26419-2Fres.00473.001.pdf](https://www.aarp.org/content/dam/aarp/research/surveys_statistics/ltc/2021/family-caregivers-cost-survey-2021.doi.10.26419-2Fres.00473.001.pdf);

# Older adults often in difficult financial positions



**Older adults' health care costs have increased while they have fewer dollars saved.**

This has led to a "Forgotten Middle" group of older adults who are not yet eligible for Medicaid but do not have the financial resources to afford additional support.



**Older adults overwhelmingly want to age in place but may not have the resources.**

The pandemic has increased patient desire to age at home, but access remains limited, feasibility becomes more difficult as seniors age, and this puts additional burden on caregivers.

**40%**

Of Americans over 60 only receive retirement income from Social Security

**\$295,000**

Amount a 65-year-old couple retiring can expect to spend on health care throughout retirement

**75%**

Of adults over 50 would prefer to stay in their homes as they age

Source: "Examining the New Egg: The Sources of Retirement Income for Older Americans" National Institute on Retirement Security, January 2020, <https://www.nirsonline.org/reports/examining-the-nest-egg/>; "Retiree Health Care Costs are Rising" Kiplinger, August 18, 2020, <https://www.kiplinger.com/personal-finance/insurance/health-insurance/601241/climbing-retiree-health-costs>

## ADVISORY BOARD INSIGHT

As the population has aged and lifespan has increased, the industry has responded through reactive and often incremental change. This has produced a resourcing imbalance: we're seeing enthusiastic investment in some segments of the older population, and a dire lack of funding and innovation for others.

# Need to evaluate, rebalance investment

## 01

**Evaluate investments** in senior care and identify:

- Which models truly improve care for older adults?
- How can the industry scale these successful models in a realistic way?

## 02

**Focus new investment** on areas of the older adult population that haven't received as much attention including:

- End of life care
- Behavioral health care

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