

CHEAT SHEET

for U.S. health care providers

Generational Shifts in Health Care

Implications of population and demographic changes on long-term utilization and strategy

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Key takeaways

- Providers will observe a continued deterioration of both payer and case mix as baby boomers age into Medicare and life expectancies increase.
- The baby boomer surgical boon has already passed its peak. Growth is not likely to be sustained by the smaller Gen X population as it ages, despite a greater prevalence of chronic disease among them.
- Retention of consumers will become more difficult among younger generations as information becomes more accessible and preferences shift to nontraditional sites.
- With birth rates falling, providers may be dependent on migration and immigration to avoid volume contraction.

INTRODUCTION

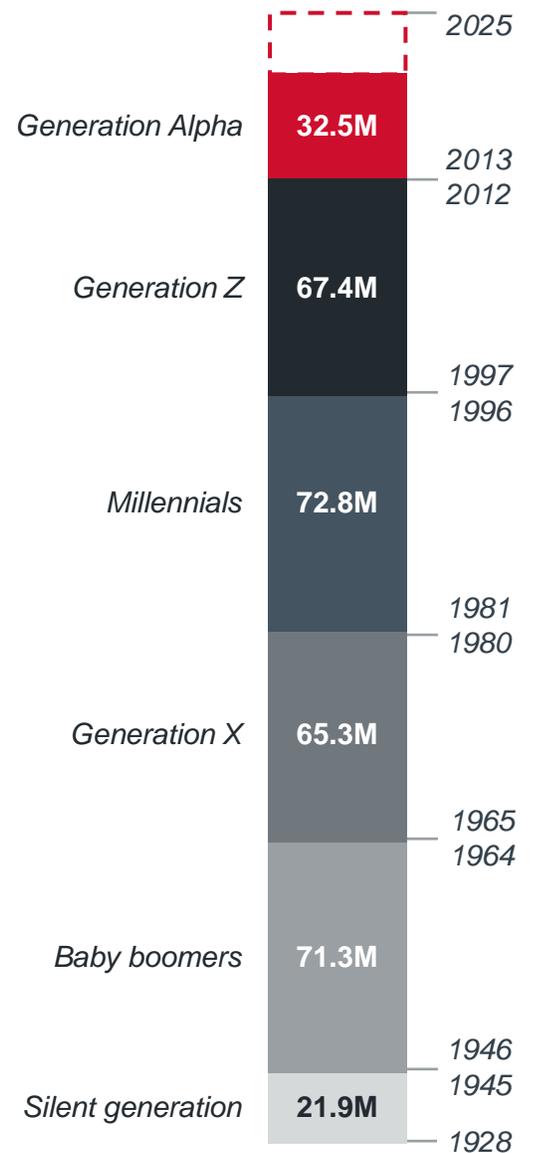
What are generations?

Generations are cohorts of people born around the same time who have experienced transformative events at similar stages in their lives. These events help shape the generation’s worldview, consumer preferences, and name (which is assigned to the generation by popular consensus).

Generations are typically born across a 15- to 20-year time period, but variability in factors such as birth rates, death rates, and immigration can result in generations of different sizes. Social and economic factors can in turn impact these factors. Baby boomers, for example, became a popular name describing the massive explosion of newborns following post-World War II optimism.

Differences in the size and preferences of each generation have implications for long-term utilization projections, clinical services planning, and consumer strategy. Providers should plan for these shifts and understand their implications to make better informed long-term strategic planning decisions.

Birth years and sizes of each generation circa 2021 (in millions)



1. The generation beginning in 2026 has yet to receive a widely accepted name

Source: "Age and Sex Composition in the United States: 2019," U.S. Census Bureau, 2019.

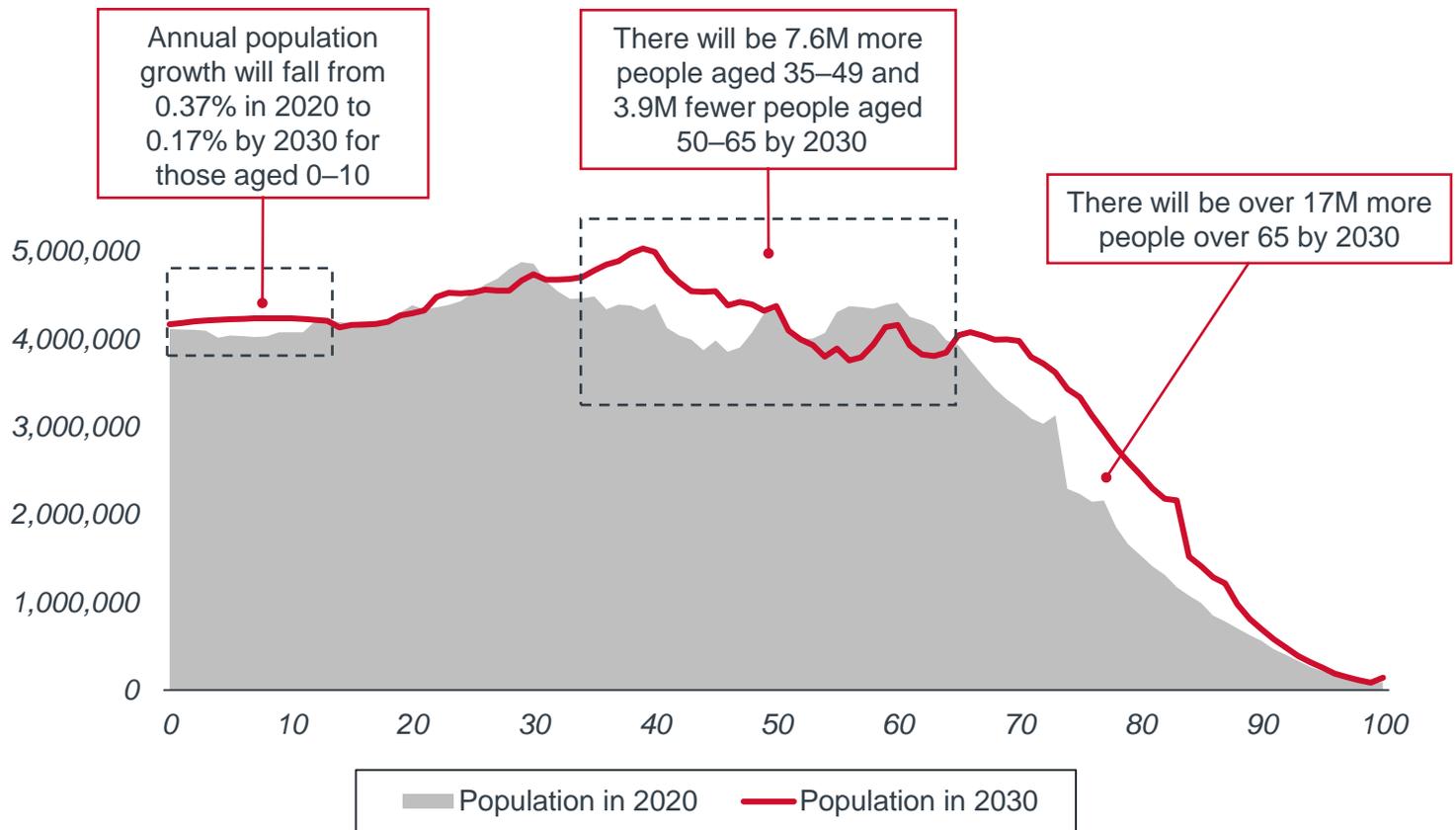
INTRODUCTION

What generational shifts will occur?

The U.S. population is expected to grow from 333 million today to 355 million people by 2030. Across this period, there will be three major population trends with implications for long-term health care utilization and planning. First, the U.S. population will become older, adding nearly 20 million baby boomers to the Medicare rolls. Second, there will be a dip in middle-aged people due to Generation X being smaller in size compared to the baby boomers it follows and the millennials it precedes. Third, there will be continued slowing of population growth as millennials opt for fewer children and birth rates continue to fall.

Size of each age group in 2020 and 2030

U.S. Census Bureau, 2019



Source: "Age and Sex Composition in the United States: 2019," U.S. Census Bureau, 2019; Martin J. "National Vital statistics Report," CDC, March 2021; "United States population growth," World Bank, 2020.



INTRODUCTION

Why does it matter?

Providers should begin planning for three major consequences of shifts observed among the elderly, middle-aged, and younger consumer segments:

01 The aging of baby boomers will increasingly stress profit margins

By 2030, all baby boomers will be Medicare eligible, and most will have passed their peak surgical years. The large number of the baby boomers and extensions to life expectancy mean that the oldest portion of the population will grow at the fastest rate for the foreseeable future. In fact, the growth rate from 2020 to 2030 of the over 65 population is 15 times greater than the growth rate of the under 65 population. This will boost the demand for near-term health services, but it'll also cause long-term challenges in equipping the delivery system for costly geriatric care needs and sustainably running on Medicare margins.

02 A smaller Gen X will slow the growth rate for key surgical services

Gen X will grow in both influence as caretakers—caring for both parents and children—and importance as health care consumers across the decade. But, because Gen X is significantly smaller in size compared with baby boomers, the growth generated by the baby boomer generation for key surgical services will slow. Gen X will also be sicker than their forebearers, with multiple chronic conditions and more complex patient profiles.

03 Millennials will be harder to engage and retain

Younger generations, including millennials and Gen Z, bring a new set of challenges due to their tech savviness, diversity, education, and cost sensitivity. Like Gen X, younger segments will be sicker than their predecessors, but they will likely be drawn to nontraditional care delivery models that prioritize convenience and access. By 2030, younger generations' consumption of health care will remain relatively modest, but their worldviews—particularly on family life—will have a lasting impact on population growth trends and health care delivery models.

SECTION 1

Reverse aging preceded “graying” years

For the past decade, baby boomers have ushered in a Goldilocks period for providers, where everything was “just right.” Providers have benefited from a massive influx of young-old patients with a good mix of commercial insurance and surgical needs. But as more of this generation turned 65 throughout the decade, the average age of Medicare enrollees fell. These younger Medicare enrollees tended to need profitable procedures like joint replacements, which offset the less profitable care required by the aging silent generation.

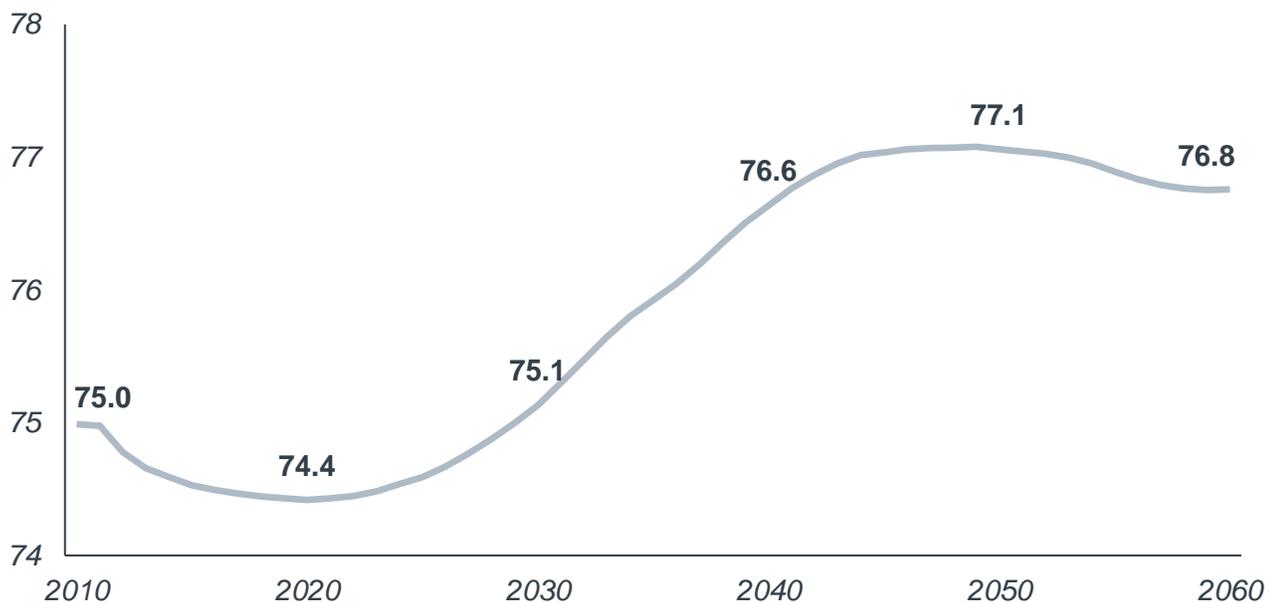
85.6

Average life expectancy projected for 2060 (increase from 79.7 years today)

As the baby boomers continue to age and as life expectancies increase, the graying of America will accelerate. From 2020 to 2050, the average age of Medicare enrollees will increase from 74 years to 77 years, and there will be a near doubling of the Medicare population.

Average age of the Medicare eligible population

U.S. Census Bureau, 2019



Source: "Age and Sex Composition in the United States: 2019," U.S. Census Bureau, 2019; Lauren M, "Living Longer: Historical and Projected Life Expectancy in the United States, 1960 to 2060," U.S. Census Bureau, 2020.

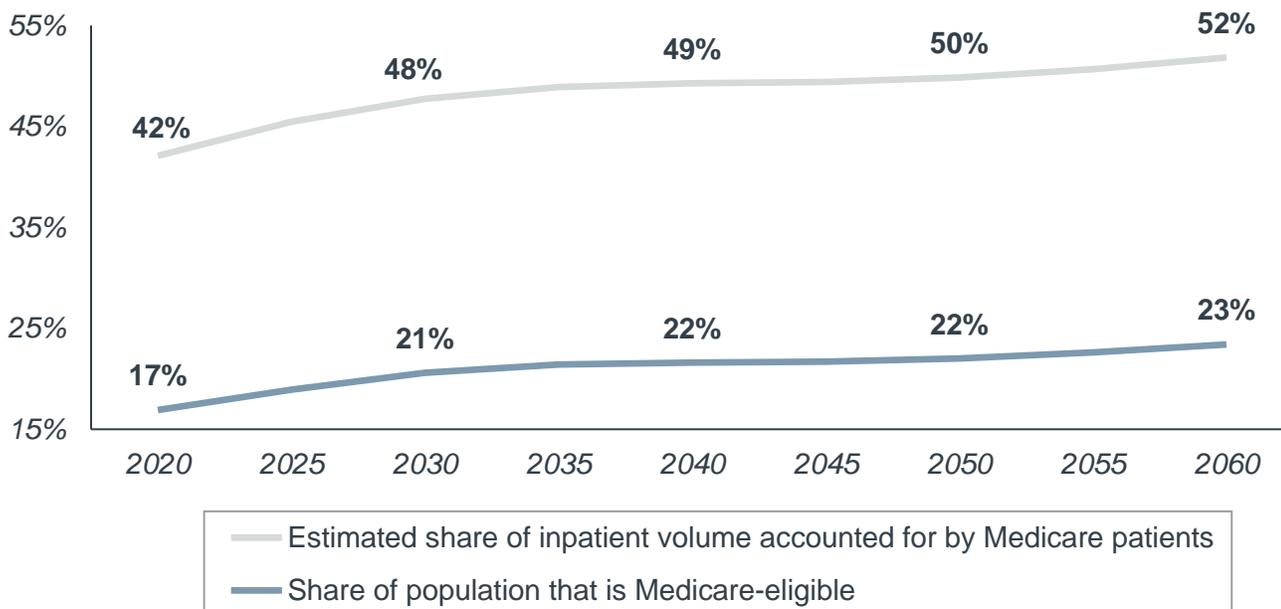
SECTION 1

High rate of payer mix deterioration to 2030

By 2060, the share of the U.S. population that is eligible for Medicare will increase from 17% to 23%. Over half of this increase will occur by 2030, with over 17 million baby boomers added to Medicare in the decade ahead. These consumers will account for a disproportionate percentage of care, particularly in the inpatient setting. By 2030, Medicare patients will account for nearly half of inpatient volumes.

The growth of Medicare patients without a corresponding increase in younger commercial segments increases the urgency of providers to take action to improve Medicare margins, which were -8.7% on an aggregate basis nationally in 2019. It also raises questions for CMS and policymakers on how to finance the program without raising the payroll taxes that fund it or cutting provider reimbursements further.

Medicare population as a share of total population and total inpatient volumes



Source: "Age and Sex Composition in the United States: 2019," U.S. Census Bureau, 2019; "Report to the Congress: Medicare Payment Policy," MedPAC, 2021.

SECTION 1

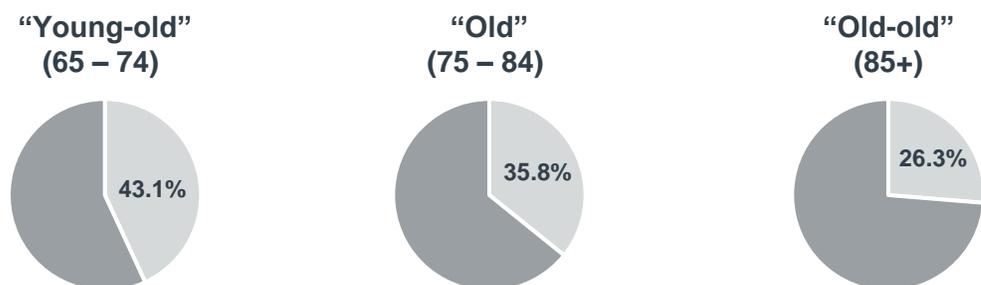
Baby boomers passing peak surgical years

In the next decade, the eldest baby boomers will start to age into the “old-old” (85 and older) cohort, and more than half of the generation will have passed the “young-old” years (65 to 74 years old). This shift will correspond with a significant change in the health care needs baby boomers require. For example, while major joint replacements are the most common service for those ages 65 to 74, this procedure does not crack the top five services for the 85+ cohort. Elderly baby boomers will instead require more non-surgical and end-of-life care. This worsening case mix will put even more pressure on margins as procedures are 70% more profitable on average than non-procedural cases.

Inpatient volume among Medicare patients

Advisory Board Market Scenario Planner, 2020 estimate

Surgical share of total inpatient volume



Top five utilized inpatient services

“Young-old”	“Old”	“Old-old”
Major joint replacement	Septicemia	Septicemia
Septicemia	Heart failure	Heart failure
Heart failure	Major joint replacement	Simple pneumonia
Esophagitis	Simple pneumonia	Kidney and urinary tract infection
Simple pneumonia	Gastrointestinal hemorrhage	Gastrointestinal hemorrhage

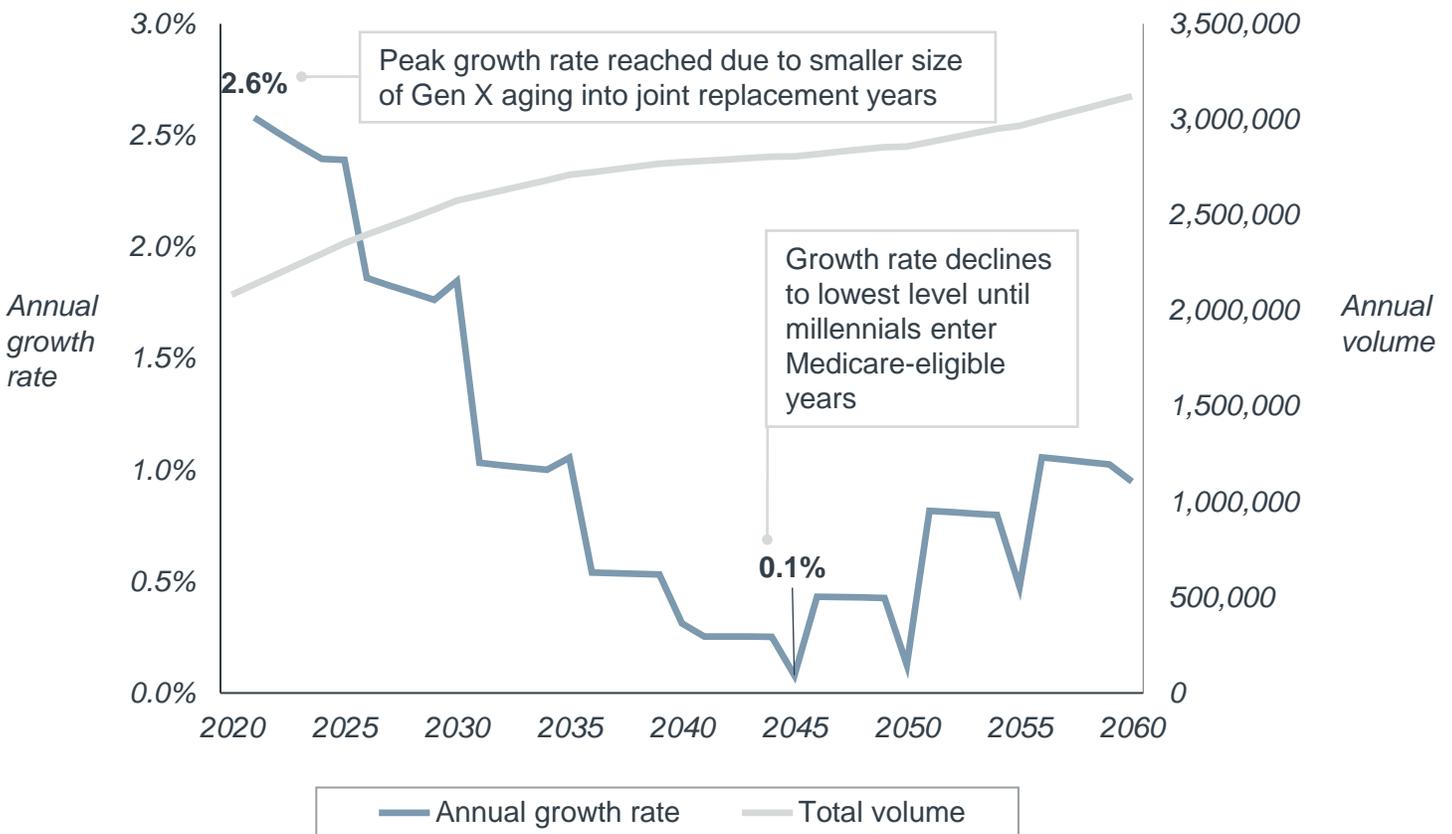


SECTION 2

Size of Gen X insufficient to sustain growth

There were approximately 13 million fewer Gen Xers than baby boomers at their peaks.¹ Because Gen X is smaller, the growth rate of certain procedures, such as joint replacement and coronary bypass will slow in the years ahead. Growth declines will continue until 2045, until the more sizeable millennial generation begins to age into years where they require more surgical care.

Annual growth rate and volume for joint replacements, 2020-2060²
Advisory Board Market Scenario Planner



1. There are currently 6 million more baby boomers than Generation Xers.
2. Includes inpatient and outpatient joint replacements; assumes consistent utilization rate per capita over time.

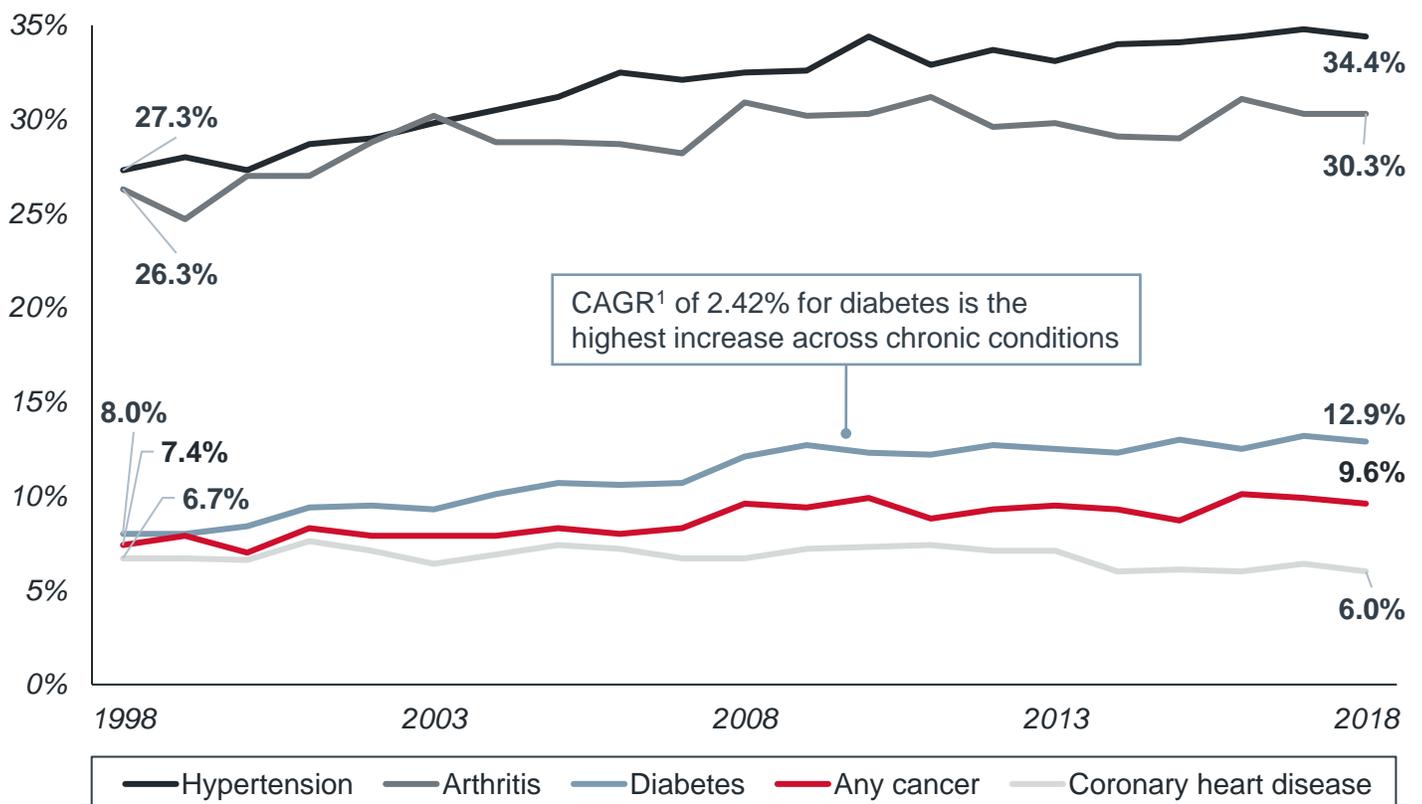
SECTION 2

Gen X more complex than forebearers

Gen Xers will not only be smaller in number, they'll also be more medically complex than baby boomers. When comparing Gen Xers in 2018 to same aged baby boomers in 1998, prevalence of chronic disease for the Gen X population has risen across nearly all conditions. Coronary heart disease is the one outlier that has declined in prevalence with the help of improved medication management, but heart disease is still the lead of cause of death in the United States. The largest increase was reported for diabetes prevalence, which has increased at an annual rate of nearly 2.5%. Increases in the prevalence and number of chronic conditions will change the mix of services populations require and place more medical and care management demands upon providers.

Prevalence of chronic conditions for people ages 45 to 64

Vital and Health Statistics report, CDC, 1998 – 2018



1. Compound annual growth rate

Source: "Summary of Health Statistics for U.S. Adults," National Health Interview Survey, 2021.

SECTION 3

Millennials harder to engage and retain

Millennials are already showing signs of following the same, if not worsened, chronic condition trend. But younger generations have an additional challenge—willingness to engage with providers to manage their care. Only 57% of millennials have a regular primary care provider (PCP) today.

In addition, the diversity, price sensitivity, and education status of younger generations complicate matters. Younger generations are more likely to use nontraditional sites as their preferred providers, the least likely to exhibit loyalty toward a regular PCP, and the most likely to break a specialist referral.

	Millennials	Gen X	Baby boomers
% with PCP	57%	73%	82%
% non-white	33%	28%	22%
% with high school diploma	92%	87%	86%
Disposable income ¹	\$70,565	\$90,964	\$72,201

← *More diverse, cost-conscious, and educated*

How consumer health care preferences vary by age

Advisory Board consumer surveys

Age cohort	Virtual care	Primary care	Specialty care
18–29	67% would consider virtual if in-person care was unavailable	Most likely to switch PCPs for a new competitor offering—cost and after-hours access are important clinic attributes	Over a third are willing to break a referral and shop for a specialist online
30–49	The greatest portion (73%) would consider virtual if in-person care was unavailable	Cost and access are more important than quality of provider	20% are willing to break a referral and shop for a specialist online
50–64	62% would consider virtual if in-person care was unavailable	Prioritize access and convenience over cost and quality	Only 7.5% are willing to break a referral
65+	Most resistant to virtual, with 58% considering virtual if in-person care was unavailable	Prioritize credentials and relationships—the least likely to switch PCPs	The least likely to break a referral (7%)—hospital affiliation is most important

1. Mean for a household led by someone from that generation

Source: "ACS Demographic and Housing Estimates," U.S. Census Bureau, 2019; Bialik K, "Millennial life: How young adulthood today compares with prior generations," Pew Research Center, 2019; Vogels E, "Millennials stand out for their technology use, but older generations also embrace digital life," Pew Research Center, 2019; "Digital Health: When Primary Care is not always primary," Accenture Health, 2018; "Health Insurance Coverage in the United States," Census Bureau, 2019; "Mean disposable household income in the United States in 2019, by generation," Statista, 2021.

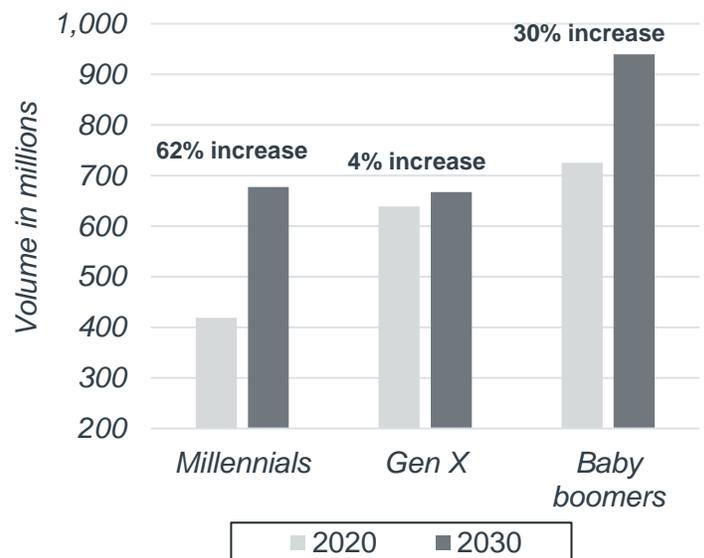
SECTION 3

Birth rates expected to continue to decline

Millennials represent a small portion of health care volume today, but their consumption will grow quicker on a percentage basis than any other generation across the decade. The generation's views on childbearing will also have lasting impacts on local economic and population growth for the long-term.

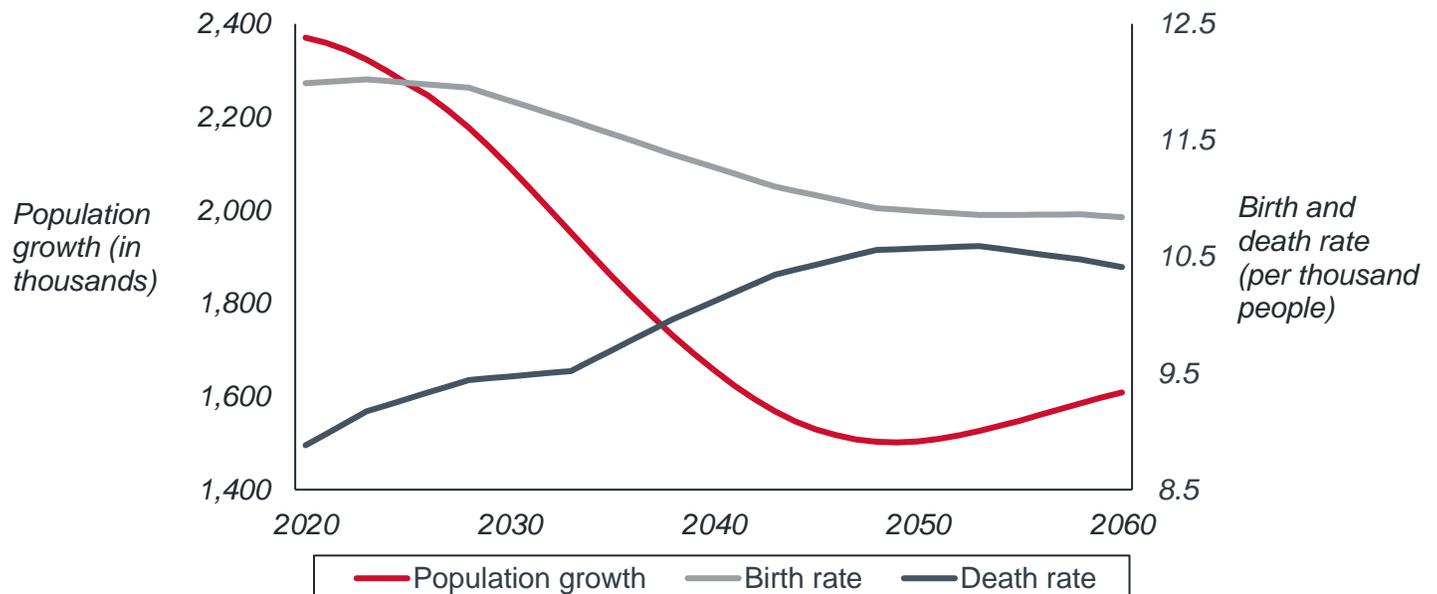
Younger generations are having children later in life and having less children overall. This view on family life has driven U.S. birth rates to a 35-year low and will slow population growth for the foreseeable future.

Total inpatient and outpatient volume expectations by generation
Advisory Board Market Scenario Planner



U.S. birth rate, death rate, and annual population growth projections

United States Population Report, UN World Population Prospects, 2019



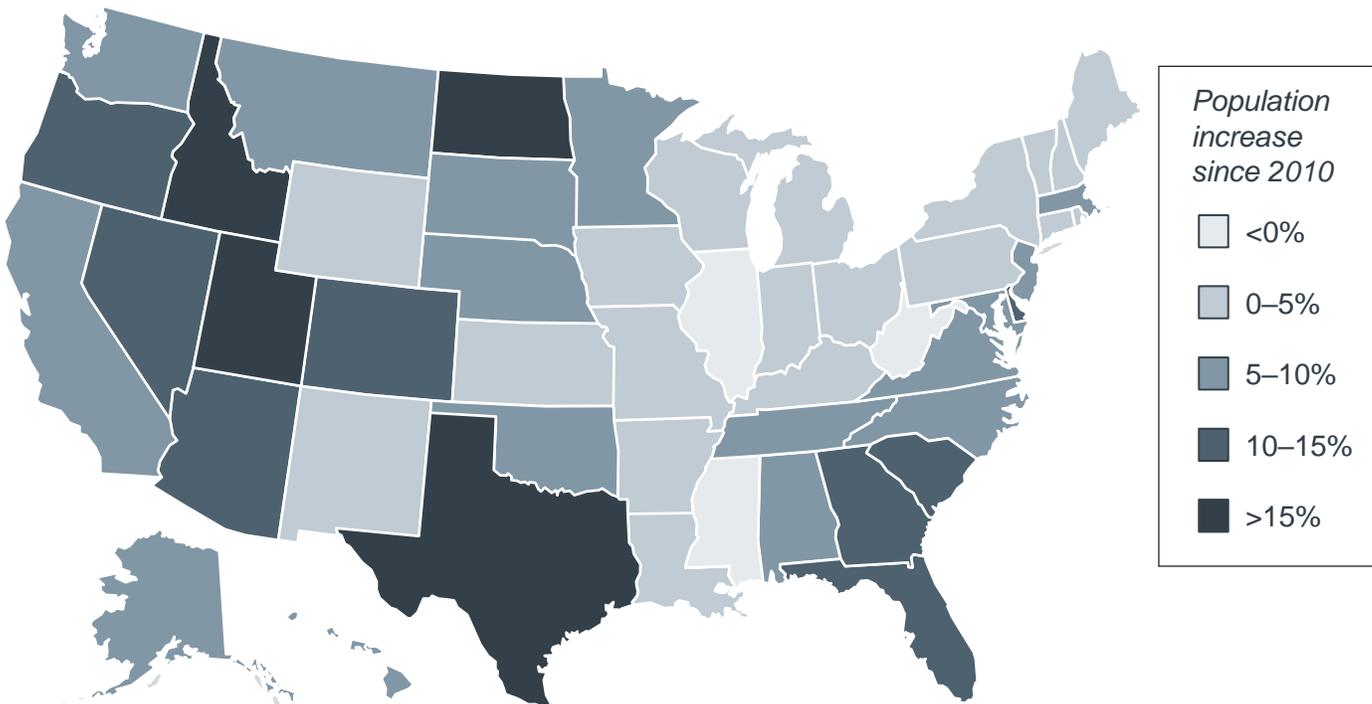
Source: "Age and Sex Composition in the United States: 2019," U.S. Census Bureau, 2019.

SECTION 3

Migration, immigration may compensate

In many regions of the United States, meaningful population growth will be achieved only with extensive migration between states and immigration from abroad. And these numbers varied tremendously in the 2020 census. Nearly half of U.S. immigrants (44.9%) live in one of three states—California, Texas, and Florida—all of which saw the most total growth in their immigrant population since 2010. This helped the South and West experience significant population growth, of 9.6% and 8.9% respectively, throughout the decade. Conversely, the Midwest and Northeast have had less success attracting immigrants and domestic migrants, resulting in meager growth rates of just 2.1% and 1.2% respectively since 2010.

Population change since 2010
U.S. Census Bureau, 2021



Source: "Percent Change in Resident Population for the 50 States, the District of Columbia, and Puerto Rico: 2010 to 2020," U.S. Census Bureau 2021.

Conversations you should be having

01

Discuss how long-term facility, technology, and clinical services investments might need to change in light of generational shifts and expectations for future demand.

02

Determine what operational changes your organization needs to make to reduce costs, improve efficiency, and generate positive margins with greater reliance on Medicare.

03

Talk about ways your organization can prepare for a growing elderly population that will have different care needs and support services.

04

Consider how your organization can improve your consumer appeal in response to new and growing preferences across the populations you serve.

These conversations will help your organization create a long-term strategy that incorporates the impact of local population and demographic shifts. 

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 CHEAT SHEET

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 BLOG POST

The population aged, as expected, but it was the aging of young people that changed health care in the most surprising ways.

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