

Healthcare for an Aging America



wd
partners



America is Graying

The nation's 65-and-older population is projected to nearly double in size in coming decades, from 49 million in 2016 to 95 million people in 2060. As a result, the share of people aged 65 and older will grow from about 15 percent in 2016 to nearly a quarter of the population in 2060. **The number of people 85 years and older is expected to nearly double by 2035** (from 6.5 million to 11.8 million) and nearly triple by 2060 (to 19 million people).

The year 2030 marks a demographic turning point for the United States. Beginning that year, all baby boomers will be older than 65 thereby expanding the size of the older population so that one in every five Americans is at retirement age. Later that decade, **by 2034, it is projected that older adults will outnumber children for the first time in U.S. history.**¹

Healthcare Needs Increase

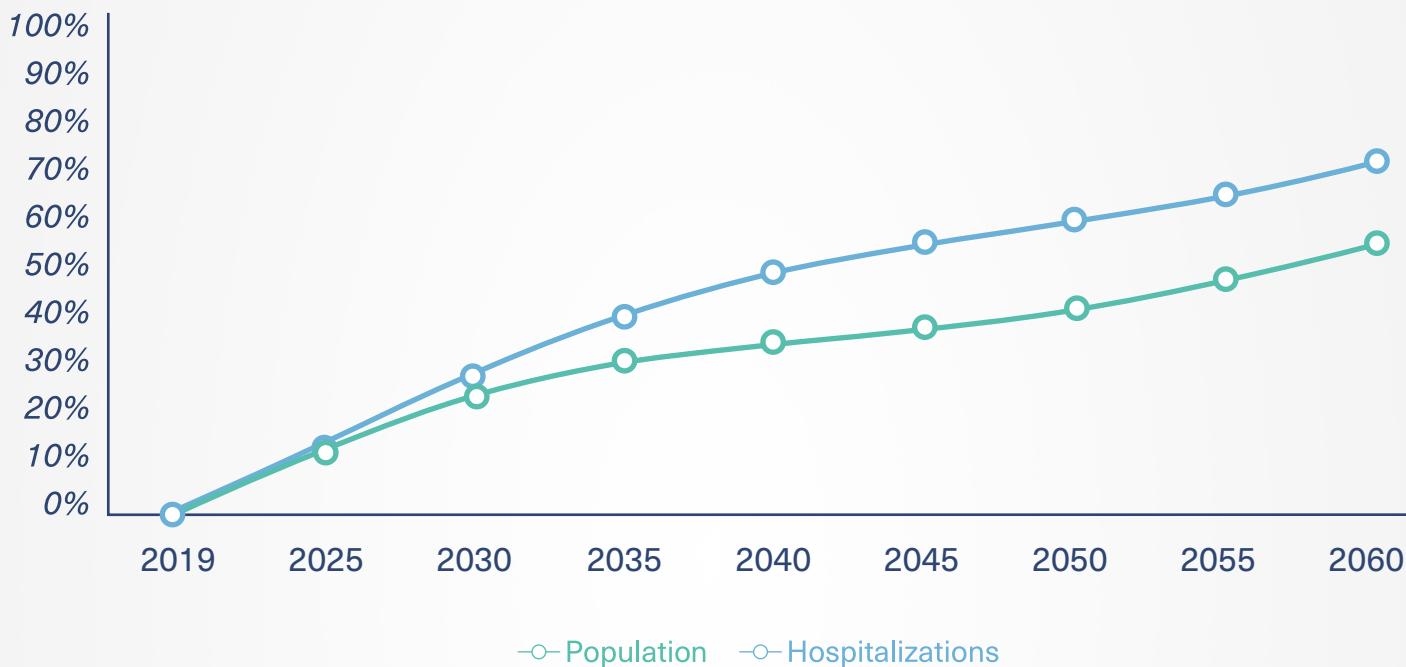
A clear implication of an older population is an increased need for medical services.

According to a report conducted by the Centers for Medicare and Medicaid Services Office of the Actuary, researchers projected healthcare spending growth to reach **\$7.2 trillion by 2031, growing 5.4% per year** and outpacing projected average growth in nominal gross domestic product (GDP). This compares with healthcare **spending growth of 4.3%** in 2022, which was already an increase following the 2.7% growth rate in 2021.²

The healthcare needs of older populations are usually more acute than younger cohorts and also more frequent. A recent analysis by Advisory Board shows the dramatic growth in hospital visits as the population ages.³

Projected growth in Medicare population and hospitalizations

Based on Medicare FFS data projected forward based on population change



According to that same report, hospitalizations for adults aged 85-89 would more than double while those for adults over 90 would more than triple.

Demand Up, Supply Down

Not only are consumers and patients getting older, but physicians are aging too. One-third of all currently active doctors, of which there are 1 million in the US, will be older than 65 in the next decade.⁴ When these physicians decide to retire could have an enormous impact on the supply of providers – **the country could see a shortage of up to 120,000 physicians by 2030** according to a new report from the Association of American Medical Colleges (AAMC). That's an increase from last year, when the AAMC projected a shortage of between 40,800 and 104,900 doctors by 2030.⁵

Avoiding the Hospital

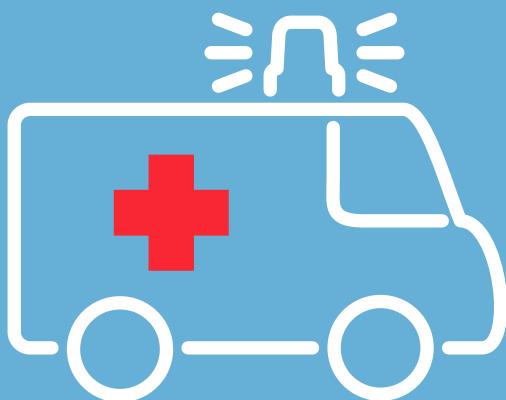
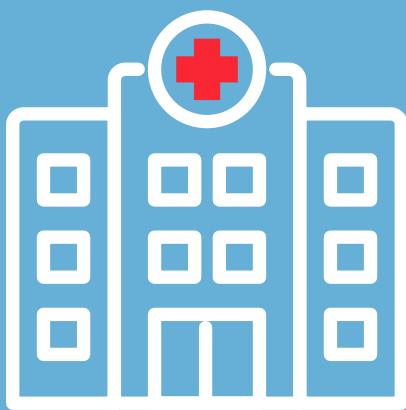
But what if we could avoid the hospital altogether by identifying and preventing chronic illnesses and keeping older consumers healthy longer? That is the mission of a growing crop of senior health specialists. These relatively new entrants include:



The common characteristics of all these players include:

- **Value-based reimbursement model vs. fee-for-service, paid through Medicare and Medicare Advantage**
- **Care team of coaches, specialists, and counselors beyond the physician**
- **Smaller patient panel sizes**
- **Focused on senior care**
- **Much more time spent with patients, understanding lifestyles, nutrition, and other social factors**
- **Virtual tools and continuous engagement**

These models offer a compelling and effective economic model and demonstrate improved outcomes. For instance, ChenMed boasts:



**Hospitalizations
are down 51%
among its patients**

**Emergency room visits
are down 35%
among its patients⁶**

This is why senior healthcare providers have caught the eye of investors and large acquirers like CVS Health, Amazon, and Humana. They are a key to lowering insurance costs and overall healthcare spending in the US, so they are likely to be supported by government policy. Because they do not operate in a fee-for-service environment, these disruptors believe they offer a superior proposition to physicians as well, as doctors can spend more time with patients and not feel like they are spinning on the hamster wheel of 15-minute appointments to make the economics work. Plus, the improved outcomes and focus on prevention are felt to be more rewarding. This gives these chains an important advantage in the competition for providers. The use of integrated care teams and greater use of, and investment in, virtual and AI technology tools will also help alleviate provider shortages in the future.

Senior-focused primary care providers are also likely to be far more accessible than traditional primary care, given the investments and deep pockets of retail and payer acquirers. Many are filling a vital need to address rural healthcare needs.



Coupled with more attention to the consumer and patient experience, it is easy to imagine significant growth moving to the senior-focused model, and they are intentionally targeting share gain. According to Faisel Syed, MD, ChenMed's National Director of Primary Care,

“We currently have a hospital-based healthcare delivery system in the United States. Hospitals run 70 to 80 percent of outpatient facilities. If doctors want to restore the sacred doctor/patient relationship, they will have to take the system back from the hospitals.”⁷

The growth and evolution of senior-focused primary care is an exciting part of today's transformation in health and wellness and serves as a lesson in using innovation to alleviate or remove the barriers in US healthcare and capture opportunity in the process. We believe such innovation also reflects the power of targeting core consumer groups and addressing their unique needs with experiences tailored to them. Retailers have long recognized that power and built successful brands and experiences for targeted segments. Opportunities exist to spread this type of innovation to other segments with unique needs in a healthcare industry still learning how to practice consumer-centricity.



WD Partners is a customer experience innovation and execution firm, helping clients to design and scale consumer experiences and bring sophisticated retail practices to the health and wellness sector. WD Partners offers fully integrated strategy, design, architecture, and engineering services and partners with many of the largest brands in the world, helping them to develop world-class experiences and scale them nationally or internationally.

Want to learn more? Check out our Health + Wellness Page: wdpartners.com/health

Dan Stanek

Executive Vice President

Health + Wellness Practice Leader

Direct 614 634 7337 / Mobile 614 956 8112

dan.stanek@wdpartners.com

¹ <https://www.census.gov/content/dam/Census/library/publications/2020/demo/p25-1144.pdf>

² https://www.managedhealthcareexecutive.com/view/the-healthcare-market-is-expected-to-skyrocket-in-the-next-decade-after-a-decline-following-the-phe?mkt_tok=NzEwLVpMTC02NTEAAAGMoX36QLeYsisLJJ0C3ihxx7rzqQ-38KIKUL29U_6uMTbXBgCt8ZPo7Fc-D73A0PUIjBZGoVGNezwuH0nHHG51RVIx4m7MMgSQDB5JxaDsG0WtgAg

³ <https://www.advisory.com/blog/2022/05/population-aging>

⁴ <https://www.fiercehealthcare.com/practices/physician-shortage-could-hit-120k-by-2030-aamc-darrell-g-kirch>

⁵ <https://www.aamc.org/news/research-shows-shortage-more-100000-doctors-2030#:~:text=The%20United%20States%20will%20face%20a%20shortage%20of%20between%2040%2C800,study%20commissioned%20by%20the%20AAMC.>

⁶ <https://aspe.hhs.gov/sites/default/files/documents/afd5f78b1361ea16349ae9aeaf740526/PTAC-Jun-8-SME-LS-Slides.pdf>

⁷ <https://medium.com/authority-magazine/dr-faisal-syed-of-chenmed-5-things-i-wish-someone-told-me-when-i-first-became-a-doctor-aa5de87bee74>