

SilverStone Group

RISK MANAGEMENT

Franchise Industry

BoomerCare

Who Will Serve this Generation of Retirees?

by Joe Schaffner

It's now official. Beginning in 2008, Baby Boomers started to retire.



Some Boomers will enter retirement with adequate resources to handle whatever challenges post-retirement life has to offer. Others will struggle, perhaps due to insufficient finances or unforeseen health problems. With an estimated 78 million Boomers retiring in the next 15-20 years, who's going to provide BoomerCare?

The Numbers

- The birth years 1946-1964 are generally identified with the boom generation.
- Every six seconds, someone reaches age 50.
- The first "official" Boomer turned 62 and qualified for Social Security on January 1, 2008.
- 55 million people in the U.S. are over 55 years of age and 34 million are over 65. Those figures are estimated to double by the year 2030.
- Median age in the U.S. today is 43. By 2014, the youngest Baby Boomers will be 50 years of age and the oldest will be 68.
- People over 50 account for 43 percent of all U.S. households.
- The first Boomer will turn 65, and qualify for Medicare benefits, in 2011.
- Individuals over age 85 will make up the fastest growing segment of the population.
- By 2020, the senior population will number approximately 115 million.
- The current senior population possesses over \$900 billion in disposable income.
- Nearly a quarter of homeowners aged 65 to 69 have a net worth of \$250,000 or more¹

Boomer Challenges

Financial security for the Boomer generation will be significantly impacted by the availability of Medicare, senior housing and medical insurance, as these resources will be stretched to their breaking point by overwhelming growth within this age demographic.

While many Boomers have had successful business careers, this generation grew up at a time when saving for retirement wasn't as crucial as it is today. Most Boomers hadn't even heard of IRA accounts or 401(k) and 403(b) savings plans in their youth. Many never thought they would have to save for retirement. In the past, a comfortable retirement was made possible through one's employer pension combined with Social Security benefits. As Boomers begin to retire, however, that's no longer the case.

Soaring healthcare and long-term care costs, less generous pension payments (coupled with lack of adjustment for inflation) and termination of retiree medical benefits are just a few of the challenges facing today's retirees. " Boomers are a spending generation, not saving nearly enough for long-term care," states Sue Nelson, PR Director for Homewatch CareGivers, an in-home care service headquartered in Denver, Colorado. With "\$3,000 per month for the most inexpensive assisted living (and much more for skilled nursing), there may be only one viable solution for tens of millions of future seniors—to be supported by or live with their children."

A Chinese proverb states "at the heart of every crisis lies a powerful opportunity."

Many seniors express the desire to remain in familiar surroundings, even if that means living alone. Having to live with adult children would not be a first choice for many. Remaining at home is not necessarily a bad solution—if one's health and finances allow it. Those whose health is declining may find the following questions become more critical as time passes: "Do I need the type of care only available in a facility?" "If so, what type of facility? Assisted living? Skilled nursing?" "Is home care the answer?" "If so, who will supply it?"

As seniors seek answers to these questions, they will also have to ask how best to pay for the care they need. Unfortunately, just as the number of retirees is set to increase dramatically, the Medicare program has already experienced funding cuts and is estimated to run out of money by 2019.²

Finding New Answers

The U.S. Bureau of Labor Statistics (BLS) estimates that the number of Baby Boomers requiring some form of healthcare will rise by 10 million persons over the next decade. The current healthcare workforce is estimated to be approximately three million, and demand in the coming years is expected to increase by at least one million.³ As the Boomers who are current caregivers begin to retire, will adequate staff be available to fill empty positions left in hospitals, elder-care centers and other healthcare institutions?⁴

A Chinese proverb states "at the heart of every crisis lies a powerful opportunity." On a positive note, the BLS estimates that the number of new healthcare providers will rise an estimated 27 percent by 2014, helping to replace some of the retiring caregivers. Because many seniors will elect to receive healthcare at home—either from family members or trained third-party individuals—

the need for program-trained home health aides is expected to grow. The number of these workers is expected to rise by 56 percent over the next decade.

The issues facing today's seniors are not dramatically different from those of the past. What has changed is the number of people involved and the relatively short time period over which this dramatic change will occur.

What does this mean?

This demographic shift will place additional pressure on healthcare providers, especially geriatric specialists, who are already in short supply, and on direct-care providers such as nursing assistants, home-health aides and personal-care aides. In general, healthcare utilization and costs are expected to increase and healthcare inflation is projected to outpace overall inflation. There may, however, be a disproportionate cost increase as seniors take advantage of the vast array of new technologies available for managing chronic illness and promoting active lifestyles.

Caring for an aging population will be a challenge for families and for the healthcare industry in general. With the current societal trend toward nuclear*, dual-income family units, the questions "Who will make sure Mom is taking her medications?" and "What will happen to Dad when he can't live alone anymore?" become more pressing. The answers to these questions fuel the single factor driving the boom in a new and growing industry — senior care service franchising.

Extended Care Services

More and more franchise owners now offer in-home supportive care and assistance services for the elderly who want to maintain their independence. Among these providers are Comfort Keepers®, Home Instead Senior Care®, Right at Home® and Homewatch CareGivers®. These franchises provide services which focus on non-medical, in-home companionship. A wide variety of additional home health services are also becoming available for those who need medical care but don't necessarily need institutional care.

Rick Magill, a Comfort Keepers® owner in Nebraska, states: "Baby Boomers have 'shaken up' virtually every aspect of American culture and how and where they age will be no exception. This self-directed demographic segment will redefine senior care and it will inevitably be focused on staying in their own home [sic]. Already we see evidence of communities establishing networks of the services required to age in home, and Comfort Keepers® services will be one of the key services this demographic will seek and be willing to pay for."

Paying for home care services, however, requires careful thought. Those who need medical care at home may qualify for payment through private insurance policies, Medicare and/or Medicaid. Those who need companionship or other non-medical services may end up paying for this assistance personally. Another option may be a long-term care policy, purchased early-on, to help pay a percentage of the cost. Many people may end up paying healthcare costs from personal savings or other equities, cash value from a life insurance policy, funds from the sale of a home or by tapping the resources of adult children.

Cary Rotter, owner of the Comfort Keepers® home-care franchise in Memphis, Tennessee, says, "As a society, we must concern ourselves with providing the pay and benefits to attract the requisite caregivers the Baby Boomers will need. And we will need to develop new models of partnership between the government and the private sector to mitigate the price burden of care."

It is still too early to tell how these issues will affect the retiring Boomers. What we do know is that some people won't have the resources necessary to pay for healthcare, whether in-home or at a facility. We also know that many more health providers will be needed to serve the number of retirees entering the marketplace. Americans must address these issues quickly, beginning with Congress and spreading to facilities that train healthcare providers. Because Boomers are our parents and grandparents—or even ourselves—BoomerCare has become an issue for all of us.

¹ The Roper Organization for Modern Maturity Magazine website, The Aging of America, "From 'Those Were the Days' to 'These Are the Days'— The Evolution of the Aging Population," by Jennifer N. Brock, Summer '98, Vol. XI #3, accessed at www.robinson.gsu.edu/magazine/aging.html

² "Medicare Money Problems Trigger Warning," by Julie Rovner, from Morning Edition, April 24, 2007, accessed from the National Public Radio website, www.npr.org/

³ "Who will care for the baby boomers? As generation nears retirement, concern mounts over elderly care." An Associated Press article from June 14, 2007, accessed at the msnbc website, www.msnbc.msn.com/id/19234042/

⁴ Quoted from the U.S. Census Bureau website, "Facts for Features: Special Edition: Oldest Baby Boomers Turn 60!" CB06-FFSE.01-2, dated January 3, 2006 and accessed at www.census.gov/ on April 8, 2008.

Portions of this article were inspired by information found at The Center for Mature Consumer Studies at Georgia State University website, www.robinson.gsu.edu/marketing/Centers/CMCS.index.htm

* Nuclear family units contain parents and children only. No additional generations are present.