



Two simple facts are shaping America's future: People are living longer and having fewer children. The outcome of these two trends is that the percentage of older people in the United States is growing.

According to the U.S. Census Bureau, the number of people older than 65 will more than double between 2000 and 2050, and the population over age 85 will quadruple.

Fueling America's population transformation are the 76 million baby boomers born between 1946 and 1964. In 2011, the first wave of boomers turns 65.

With the retirement of the baby boomers just six years away, demographers and policy-makers alike worry about the effect an aging society will have on social programs and government budgets.

That's because most social programs, public and private health insurance systems and retirement funds rely on younger workers to support older persons. There are currently nearly five people of working age for each older person. In the near future, this ratio will drop to fewer than three workers for each older person. There may simply not be enough younger workers or productivity gains in the economy to adequately address future financial needs.

At the federal level this dynamic is fueling the discussion around Social Security reform. State leaders must also be prepared to deal with the imminent demographic wave of older Americans.

As Americans Age, States Respond

By Trudi Matthews

According to the U.S. Census Bureau, the number of people older than 65 will more than double between 2000 and 2050, and the population over age 85 will quadruple.

“Overall, however, the biggest challenges of an aging society are in communities—not in the federal budget,” said Dr. Robert Friedland, a national aging expert at Georgetown University.

How Will the Aging Population Affect States?

Americans’ expectations of what it means to get older are changing. The baby boomers are healthier, more financially secure and more educated than previous generations. While there is great interest in aging well, the aging of the population will provide many challenges to states and communities.

Health Care Costs Escalating

“It is obvious that one of the major influences will be on Medicaid. It can’t be overstated how much aging will affect this program,” said Robyn Stone, executive director of the Institute for the Future of Aging Services.

As the population ages, health care costs will become an even bigger area of concern. On average, health care expenditures for a 65-year-old are four times those for a 40-year-old, according to the Centers for Disease Control and Prevention. Because more older people will live longer, experts predict that overall U.S. health care expenditures will increase 25 percent by 2030.

“The most significant issue for states is long-term care, especially for the low-income elderly who are Medicaid eligible,” said Dr. Larry Polivka, director of the Florida Policy Exchange Center on Aging.

The Medicaid program is currently the largest payer for long-term care services, accounting for almost half of all long-term care spending. Few Americans have long-term care insurance or sufficient resources to provide for their needs should they become disabled. Thus, the government ends up picking up the tab.

“The aging of the population and changing patterns of family life will affect nearly every American family in the coming years,” said Lynn Feinberg of the Family Caregiving Alliance. “The availability of a family caregiver is often the deciding factor in whether or not an individual can remain in the home.”

Smaller families and changing family structures combined with the aging population means that the pool of family caregivers is shrinking. Because families provide most of the support for aging individuals, the nation may have a caregiving crisis on its hands.

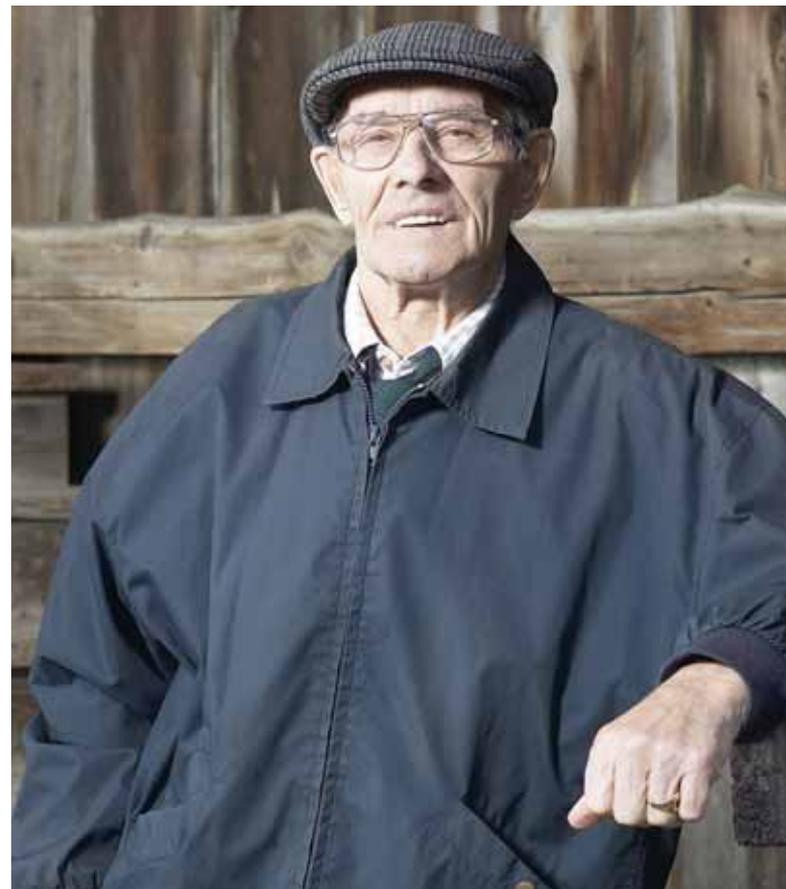
States and localities are often the human service payers and

providers of last resort. Some analysts wonder if state and local social service networks can handle the needs of a rapidly aging population.

Work Force Shortages Ahead

Work force shortages are another anticipated outcome of the aging population. Baby boomers comprise as much as 60 percent of today’s prime-age work force, and their retirement will leave many vacancies.

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“Absolutely, the growth in demand for certain goods and services will outpace the growth in workers,” stated Friedland.

Some economic sectors will be hit harder than others. Don Jakeway, CEO of the Michigan Economic Development Corporation, notes that the need for many manufacturing positions may be eliminated by industry advancements as technology, robotics and new techniques increase productivity and require fewer people.

However, the labor-intensive service sectors may face a different scenario. Health care, teaching and other service industries are expected to experience acute shortages as the need for additional workers increases just as many workers are eligible to retire.

State governments are particularly vulnerable to future work force shortages. Thirty percent of the states’ work force will be eligible for retirement by 2006, according to a 2002 study by CSG and the National Association of State Personnel Executives.

State Pension and Retirement Systems Under Stress

As federal policy-makers debate the future of Social Security, state pension and retirement funds face similar funding dilemmas. The combination of poor economic returns in the recent past and growing liabilities from increasing numbers of retirees has translated into funding problems for nearly every state’s public retirement system.

This is occurring at a time when state revenues are not rising sharply and the costs of other state priorities—health care in particular—are increasing. Since state courts have declared that gov-

ernment must pay all pension benefits regardless of the state’s fiscal situation, states are investigating ways to manage the current funding situation and avoid similar situations in the future.

“In many cases, these public retirement systems are underfunded at a time when the first wave of the nation’s baby boomers are rapidly approaching retirement,” stated Sujit CanagaRetna, a fiscal expert in CSG’s Southern Legislative Conference office, in testimony before a Joint Hearing of the Mississippi Senate and House Finance, Appropriations and Ways and Means Committees.

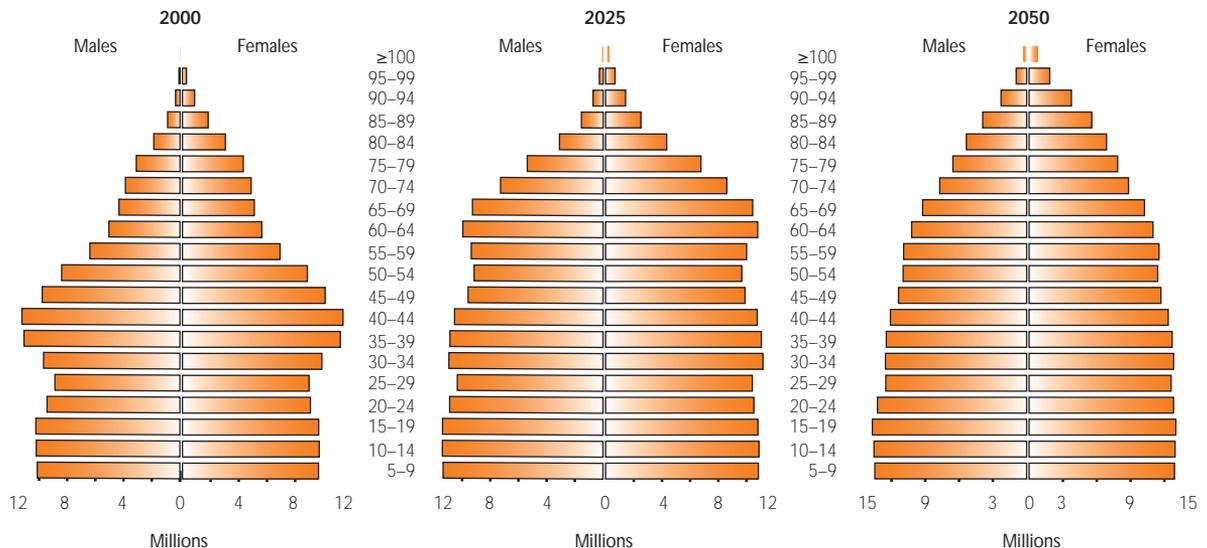
The Need for Elder-Ready Communities

As the nation ages, policy-makers need to consider changes in community life and design that support healthy, active and safe aging.

“States and communities would be well advised to adapt their physical infrastructures and services to the needs of older Americans,” said Vermont Gov. Jim Douglas.

Demographic Changes: An Aging Population

The generations trailing the baby boomers are smaller, resulting in increased competition for those workers. Given the health care needs of an elderly population, this shift is only going to exacerbate current health care work force shortages.



Source: U.S. Census Bureau

Elder-ready communities are pedestrian-friendly, have public transportation options and are relatively compact so that people do not have to travel far to get to the grocery store, pharmacy or health care providers. Because mobility is a major consideration as people age, elder-friendly communities focus on alleviating the problems associated with elderly drivers.

As age increases, sensory and motor capabilities decline, perception and attention impairments become more common and, as a result, driving becomes more difficult. According to the National Highway Traffic Safety Administration, drivers over the age of 65 are more likely than all other drivers to be involved in and killed in traffic accidents on a per-mile-driven and per-licensed-driver basis.

Elder-ready communities also have elder-friendly housing such as smaller, one-story dwellings. Older people often do not want to live in large houses that require a lot of upkeep. In addition, as more people retire and live on fixed incomes, housing affordability will become a major issue.

“What do you do with people who can no longer stay in their own homes and who need to move elsewhere? States need to be creative in how they deal with this issue,” stated Stone. “There is demand for a different range of housing for the elderly.”

States are already promoting the concept of elder-ready com-

munities. In 2000, Florida launched its Elder Ready Communities Program to help local leaders assess their community’s elder readiness and develop a plan to promote an elder-friendly environment. By actively encouraging local communities to be sensitive to the needs of seniors, states can play a major role in addressing the effects of the aging population.

The aging baby boomers will redefine what it means to retire. Many will continue working well into their seventies and eighties, perhaps retiring from one career to try something new. Others will be actively engaged in their communities through volunteer work or political activism. Boomers will likely force policy-makers to reconsider the way retirement systems, health care, housing and a whole range of services are structured and funded.

For some states, retirees may become the new economic development model.

“There is the positive potential for states to attract new retirees and generate new revenues,” stated Stone. “You have to ask what is the role of state government to intervene through thoughtful, purposeful development to assist elders?”

—Trudi Matthews is associate director for health policy at The Council of State Governments.



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