

# BOOM *or* BUST

*Through Sheer Numbers, Will Baby Boomers Force Medicine's Hand?*



By Eric M. Rigby, CPA/PFS, with Todd Davidson

## Phil, 68, and Nancy, 67, (not their real names) are a middle-class married couple for whom I've provided tax and wealth management services for nearly 15 years.

They are self-employed and both experience health-related issues not unusual in older adults. After transitioning from private insurance to Medicare, they have become increasingly frustrated about gaining consistent access to quality healthcare, as well as expensive prescriptions and inefficient delivery. They experience longer wait times for exams, tests and routine procedures. They are required to see their regular doctor to obtain a specialist referral, a process that can take several weeks. They must manage multiple medical conditions without the particular insight of a trained geriatrician. And they continue to work in order to afford services and medications not covered by Medicare.

Their story is not unique. Every day, millions of senior adults face the same uphill battle. What's most concerning to me, however, is that there are literally millions more Americans poised to flood a healthcare system woefully unprepared to meet their needs. **Ready or not, the baby boomers are coming.**

### The Silver Tsunami

America's "baby boom" — an unusually large spike in the birth rate — occurred during the era of unprecedented economic prosperity after World War II. Within the period's bookend years, 1946 to 1964, approximately 79 million American babies were born, a staggering total that represents more than a quarter of today's U.S. population.

The baby boomers were the first to be raised with televisions in the home and among the first generation to be pitched to by modern marketers. As a group, they are typically more apt to experiment and more individualistic than those born in generations prior. These characteristics, coupled with their utter volume and spending power, have made boomers, according to many, the sole cause for the massive rise in consumer demand in twentieth-century America.

In 2008, the first baby boomers began to retire at age 62. Because they were fortunate to grow up with regular immunizations and benefit from other significant advances in medicine, many boomers are in much better health than their parents were at the same age. At the same time, because boomers are living longer, they risk outliving their savings and needing to rely on family or outside assistance for healthcare, shelter and other basic necessities. Furthermore, many younger boomers are experiencing the "sandwich" effect — having to care for both elderly parents and young children at the same time.

The most pressing question, I believe, is that with this "silver tsunami" of nearly 80 million Americans reaching retirement age within the next twenty years and depending on the availability of geriatric medicine, how will we care for them?

### An Alarming Shortage

Geriatricians — doctors trained specifically to deal with the issues and demands of elderly patients — number less than one percent of all U.S. physicians. Currently, around 8,000 board-certified geriatric doctors must care for nearly 36 million Americans 65 or older. Compare this with the 29,000 pediatricians caring for about 75 million U.S. children and it's obvious that baby boomers face an immediate future with high demand for specialized care and remarkably low supply.

While the lack of practicing geriatric physicians is of huge concern, the picture doesn't get much brighter with other medical professionals critical to senior care: According to the John A. Hartford Foundation, fewer than 20,000 nurses and nurse practitioners are certified in gerontology. And in U.S. medical schools during the 2006-07 school year, half of the

468 available first-year fellowships in geriatric medicine went unfilled.

How far behind are we? Given the boomers' entrance into the senior



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care/Medicare market, Brown University science writer Richard C. Lewis, in a January 2008 article for Reuters, reports that the American Geriatrics Society estimates another 13,000 geriatric physicians are needed to provide adequate care for our nation's over-65 population by 2030.

## Examining the Phenomenon

As I think about Phil and Nancy, as well as my own parents and those in the aging boomer generation, I'm saddened by how hard they have worked (not to mention the taxes they have paid), yet how inadequately equipped our healthcare system is to care for them. I wondered what's stopping those who fully embrace the Hippocratic Oath from applying their career ambitions to a generation that so desperately needs them?

I asked another of my clients, Dr. Steve Deitelzweig, chair of the hospital medicine department at New Orleans-based Ochsner Health System, why so many doctors shy away from senior care. "It's just not seen as a positive, high-profile field," he explained. "Doctors must spend more time with older patients, which makes it financially unattractive because of declining Medicare reimbursements. There's a much higher prevalence of irreversible diseases like Parkinson's, Alzheimer's and dementia, plus chronic joint and heart conditions. Patients often have difficulty complying with their own treatment regimens. Many doctors still view gerontology as end-of-life care. And medical students are more often exposed to bad examples, not healthy, vigorous seniors."

While it's true that senior patients can be more medically challenging, their attitudes and perceptions may present patient-doctor issues, as well. As Dr. Deitelzweig points out, "With seniors, the course of care often tends to be longitudinal (long-term condition management) rather than acute or sub-acute care (getting sick, then well), but their expectations aren't necessarily lowered, so patient satisfaction decreases."

Regarding the status issue, I certainly realize that geriatric physicians are not the "rock stars" of medicine, like neurosurgeons and heart specialists, for example, but isn't their earning potential still enough of a career draw? Apparently it's much less so than I imagined.

The Association of Directors of Geriatric Academic Programs (ADCAP) reports that the median compensation of private-practice geriatricians in the U.S. was \$161,888 in 2006. Pediatricians earned almost \$175,000 annually; emergency medicine physicians, just over \$250,000; and specialists in urology, gastroenterology and radiology, well in excess of \$350,000. The ADCAP report also states that physicians graduating from U.S. medical schools in 2007 owed an average of \$138,608 for their education, a fact that I suspect places

significant pressure on doctors to choose more lucrative specialties.

## Where's the Care?

Who will absorb these millions of baby boomers as they rapidly enter the senior care/Medicare market? Chances are, the same doctors who have treated them all along — family practice and internal medicine physicians.



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In theory, maintaining long-term continuity with a personal physician is a good thing. Your medical history is well known and risk factors for certain late-onset conditions can be closely monitored. The problems, however, come in physician education and incentives. Even the finest internists and family practice physicians lack the highly focused training and depth of daily experience necessary to provide expert care to a large senior patient base. In fairness, though, Dr. Deitelzweig is quick to point out that there can be very large differences in the health of, say, 65-75 year olds versus 75-85 year olds — which means that geriatric expertise may not be truly required until much later than "retirement age." Still, gerontology is a distinct medical specialty, and the knowledge gap can be detrimental to the patient.

Where incentives are concerned, it's a simple fact that Medicare reimburses healthcare providers for procedures, not successful outcomes. Dr. Deitelzweig believes that if this scenario were to shift to more of a pay-for-performance model, medical students and young physicians might be more motivated to explore geriatric medicine and pursue new treatments and therapies — especially in relatively new fields like genomics — for influencing outcomes. Are we seeing any signs of change in medical education to fill the massive need for geriatric care specialists? Possibly, yet it may be a case of too little, too late.

## The Education Question

Many of my clients in the medical profession reside in or near New Orleans, so I looked to a long-time marketing associate in Portland, Oregon, for a different geographic perspective on this issue. A friend of his, whom I'll call Dr. C, is a family practice physician and assistant professor at Oregon Health & Science University.

Dr. C believes that the vast majority of medical students will continue to be drawn to higher-paying specialties, with the occasional exception. “Once in a while,” he says, “you get a student who just has the calling for working with seniors or is especially cut out for it in some other way. I think it just depends on the person, not the industry or population’s needs.

“One of the problems,” he contends, “is that Medicare is essentially our version of socialized medicine, so both doctors and patients are lulled into a ‘this is the way the system works’ mentality and don’t do much to challenge it. That scenario just isn’t very attractive to many aspiring physicians.”

Nationally, though, there is a documented increase in the number of medical school gerontology faculty, more course offerings and dedicated departments, new geriatric rotation requirements, and increased private donations and endowments. Dr. Deitelzweig has noticed some evidence of this heightened gerontology awareness in Louisiana medical schools, but suggests that the nationwide need must be addressed by a combination of medical education, inpatient/outpatient training, private grants, government programs and more. Even so, I believe it’s unrealistic to expect medical schools to produce 13,000 new geriatric doctors by 2030.

## It Gets More Complicated

The Medicare system of reimbursement and comparatively low geriatric physician salaries are only two reasons why baby boomers will struggle to receive age-appropriate, accessible, affordable healthcare. It’s a complex situation made more so by additional factors that affect us all, including:

### **Social Security’s Impending**

**Collapse** – The Social Security Act was passed in 1935 in an attempt to limit old age poverty and unemployment, and to care for widows and fatherless children.

In 1945, 42 workers supported each American 65 or older. Today, it’s three, and approaching two — hardly an adequate ratio to fund the needs of our rapidly growing senior population. And that means large numbers

of boomers will be forced to extend their working lives when they should be “happy pensioners.” In fact, journalist Megan McArdle recently reported that 70% of boomers plan to keep working past retirement age (*The Atlantic*, January-February 2008).

### **Rapid Increase in Life Expectancy and Active Life**

**Expectancy** – When Social Security was created, the average life expectancy for an American at birth was only 61.7 years. In 1950, a 65-year-old could expect to live approximately 14 more years, and by 2001; that number had increased to 18 more years. Seniors living longer and healthier means more of them will see more doctors more often. For instance, my assistant’s mother, who died in 2001 at the age of 83, was, relatively speaking, healthy and active until just before her death, taking two-mile walks three times a week. Even so, she visited one or another medical practitioner at least twice a month.

### **Continued Healthcare Cost**

**Increases** – Several estimates I’ve seen suggest that healthcare costs will grow from 16% of U.S. Gross Domestic Product (GDP) to 20% of GDP by 2016. Coupled with the current near-recession, record-high gas and oil prices, and a weak U.S. dollar, it has become more difficult for retiring boomers to afford services and medicines not covered by Medicare.

### **The Baby Boomer “Age Wave”**

**Theory** – Popularized by contemporary economist Harry Dent, this theory predicted that when boomers began retiring in 2007-2009, the country would experience an economic slowdown. Additional experts went even further, expecting the worst consumer recession since 1980. Boomer retirement is certainly not the only factor influencing our current economic downturn, but Dent’s prediction has become uncannily correct.

### **Potential Personal Income Tax**

**Increases** – In my opinion, Congress will look to taxpayers to bail out ailing (or, perhaps more accurately, “failing”) Medicare and Social Security. The Presidential election results



in November may also impact tax rates, should increases be necessary to fund social and economic initiatives.

**Move Toward Urban Residential Neighborhoods and Smaller Homes** – As more and more baby boomers become empty nesters, they're desiring a simpler lifestyle with amenities closer by, most often found in today's high-density urban centers. Also, the percentage of U.S. families with children is on the decline, drawing them out of suburbs, the traditional family haven. So, just as they once fueled suburban growth, boomers are now leading a shift back to urban neighborhoods. The main problem, however, is cost — a moderately sized residence in a walkable urban neighborhood is routinely twice as expensive as comparable suburban square footage.

## What Happens Next?

I'll be the first to admit that I don't have all the answers for Phil and Nancy — not to mention my many other clients who, as official baby boomers, will soon enter the Medicare system and find quality geriatric care hard to come by. But as someone they trust for tax planning and wealth management advice and counsel, I have definite opinions about what we — society in general and the medical industry — could do to improve the situation:

**Don't marginalize those with limited incomes.** If I've painted a picture of geriatric healthcare so scarce that nearly no one can find it, there's another side of the story. Boomers are consumers, and those with greater means can often buy access to the healthcare services they need. This, in turn, creates an even greater gap between the haves and the have-nots, which I believe is directly at odds with the safety net created by Medicare and Social Security. Surely there's a solution that doesn't place low- and middle-income boomers in a position to fail.

**Recognize the massive boomer market and change how we serve it.** There's a tremendous need for nearly all service industries to shift focus toward older consumers, particularly in healthcare. If Medicare is financially unattractive to doctors and is not providing patients with the care they deserve, both parties have a responsibility to change it.

**Think outside the system.** Dr. C in Portland remarked that foreign-born doctors wishing to practice in the United States are staring into a potential gold mine in the form of geriatric medicine. This largely unfilled niche is perfect for these physicians, who must often be retrained and/or recertified in the U.S., placing them at a hiring disadvantage

in more desirable specialties such as surgery. Let's welcome them with open arms and put them to work.

**Give doctors more incentives for taking tremendous personal financial risks.** Here's a way to make the gerontologist's \$162,000 annual salary more attractive to aspiring physicians: put an end to frivolous litigation and outrageous malpractice premiums. As we all know, what really counts is the money you keep, not what you make. Remove the inordinate costs and potential risks associated with practicing medicine and we might see more interest in gerontology — a similar phenomenon to the flood of physicians into Texas after tort reform and malpractice caps.

In a perfect world, the sheer volume of aging Baby Boomers would cause fundamental changes in the American healthcare system. Consumer demand would raise prices, allowing trained geriatric specialists to earn more and be viewed in higher regard by their peers. The number of practicing gerontologists would dramatically increase. And seniors would get the quality care they deserve.

It's not impossible. But with nearly 80 million Americans lapping at the shores of retirement, is it too late? I sincerely hope not.

### ABOUT THE AUTHORS

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