



“The Long and Winding Road”

Histories of Aging and Aging Services
in America, 2006-2016



Decision Strategies International
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About AAHSA

The members of the American Association of Homes and Services for the Aging (AAHSA) serve two million people every day through mission-driven, not-for-profit organizations dedicated to providing the services people need, when they need them, in the places they call home. AAHSA's members offer the continuum of aging services: adult day services, home health, community services, senior housing, assisted living residences, continuing care retirement communities and nursing homes. AAHSA's commitment is to create the future of aging services through quality people can trust.

About DSI

Decision Strategies International, Inc. (DSI) is a management consultancy, executive education and software firm focused on helping clients prepare for and profit from uncertainty. Using its expertise in strategic decision-making, scenario planning and peripheral vision, DSI works with the world's leading companies to "future-proof" their organizations. DSI has deep expertise in financial services, energy, government/defense, health care and the biosciences, media, information technology and communications. Founded in 1990, DSI's client base has grown to over 200 organizations, including over 60 of the Fortune 500 and 5 of the Fortune 10.

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American Association of Homes and Services for the Aging
2519 Connecticut Avenue, NW
Washington, DC 20008-1520
(202) 783 - 2242
www.aahsa.org



Decision Strategies International
Anticipate. Adapt. Win.

Decision Strategies International, Inc.
One West First Ave, Suite 300
W. Conshohocken, PA 19428
(610) 717 - 1000
info@thinkdsi.com
www.thinkdsi.com

Contributors

Samantha Howland is a senior consultant and client development director with Decision Strategies International, Inc. She has over 18 years of experience in business leadership, strategic planning, and business process development in professional services organizations. Ms. Howland has a wide range of knowledge in helping organizations set growth strategies, aligning corporate structures, and enabling people to drive market success. She began her career by helping Fortune 1000 organizations with geographic expansion of sales and operations. Over her career, Ms. Howland has held executive positions responsible for management consulting, corporate development, human resources, and organizational effectiveness. She has applied her leadership expertise to business development, practice leadership, and change management operations. As a consultant, she works with her clients on aligning strategy with structure, and people with processes to drive organizational learning and performance. She has presented at industry conferences on both workforce development and the integration of technology and management best practices, as well as on strategic planning for human resource professionals. She holds an undergraduate degree from Vassar College and is currently completing

a Master of Science in Organizational Dynamics at the University of Pennsylvania.

Franck Schuurmans, Ph.D., CAE, is director of nonprofit practice for Decision Strategies International. Dr. Schuurmans is the former senior vice president of professional development for the Credit Union Executives Society in Madison, Wis., where he played a critical role in transforming the association into a “thought leader” in the industry. At DSI, Dr. Schuurmans focuses his work primarily on the nonprofit business sector, including credit unions in North America. A graduate of the Carver Academy in Atlanta, Ga, Dr. Schuurmans focuses on strategic planning, decision making, and corporate governance in his consulting and instruction work. He is the co-author of several significant publications for credit unions, including *2010 Scenarios for Credit Unions*, *2005 Scenarios for Credit Unions*, and *The Chameleon Scenario Revisited*, which he co-authored with Paul Schoemaker of DSI. Most recently, Dr. Schuurmans collaborated on a research study titled *Key Success Factors for Credit Unions* and teamed with John Zells, CCE, and Don Lee, CCD, to co-author *Outrunning the Competition*, a case study on CRM

implementation at IBM Southeast Employees Federal Credit Union in Boca Raton, Fla. Dr. Schuurmans is a Fulbright fellowship recipient and earned a doctorate in modern European history from the University of Wisconsin-Madison in 1995, where he also taught for several years. He is a Certified Association Executive.

Franklin Shen is a senior business analyst and developer with Decision Strategies International, Inc. Over the course of his two years with DSI, Mr. Shen has worked with numerous clients, including CUES, DARPA, DuPont, GSK, Lockheed, NASA, Merrill Lynch, National Grid, and Pfizer. He has also helped in the production of scenario reports, including *2015: Scenarios for the Future of Human Resource Management* and *The Future of the BioSciences*. At DSI, Mr. Shen provides research, analysis, and documentation for seminars, workshops, and consulting engagements, offering in-depth analysis and tool generation. Internally, he also serves as DSI’s technology manager and marketing developer, in roles that include managing the Web site and the quarterly newsletter. Before joining DSI, Mr. Shen worked with Ben Franklin Technology Partners of Southeastern Pennsylvania, where he

aided in due diligence and research for investment opportunities. He also managed the organization's mentoring program to help develop and foster the company's ventures. Mr. Shen graduated from the School of Engineering and Applied Sciences at the University of Pennsylvania in May 2003, with a concentration in entrepreneurship in biomedical sciences and mathematics.

Katrinka (Katie) Smith Sloan is chief operating officer and senior vice president for Member Services of the American Association of Homes and Services for the Aging. In this position, she is the key leader for all of AAHSA's operations and membership-related initiatives and services. Ms. Sloan is responsible for building stronger and more effective relationships among the association's key stakeholders, including state associations and their leadership, member organizations, and AAHSA partners. She leads the association's Quality First initiative. She is also responsible for managing the operational aspects of AAHSA to enable the association to grow and ensure its financial strength. She joined AAHSA in 2002, after having served in a number of key leadership positions at AARP. As a member of AARP's senior leadership team, Ms. Sloan was responsible for major

social marketing initiatives to carry out the association's strategic priorities in health, economic security, and consumer protection. She has a strong commitment to the consumer movement, and serves as secretary-treasurer of the Consumer Federation of America. Ms. Sloan has a master's degree from The George Washington University and a bachelor's degree from Middlebury College.

Jocelyn Wills is an associate professor of history at the City University of New York (CUNY), where she specializes in American economic, social, and urban history. Professor Wills' scholarly work focuses on the 19th and early 20th centuries, while her professional interests extend to the synergies between historical trends and contemporary issues in business and the professions. Working as a professional researcher and writer for more than 20 years, she has also authored numerous case studies in business history, engineering and ethics, and the histories of organizational failure, survival, and success. Her first book, *Boosters, Hustlers, and Speculators: Entrepreneurial Culture and the Rise of Minneapolis and St. Paul, 1849-1883* (2005), examined the entrepreneurial networks created

from east to west coast during a critical period in the development of the young United States. She is currently completing two book-length manuscripts: one on satellite communications, government contracting, and the incubation of technology communities during the final quarter of the 20th century; and the other devoted to the everyday lives of ordinary economic strivers and social climbers during the late 19th century. As a consultant for Decision Strategies International, Inc., Dr. Wills provides research, analysis, and writing services for historical case studies, strategic planning and development, decision analysis, and the preservation of corporate memory. She holds a B.A. from the University of British Columbia and a Ph.D. from Texas A&M University.

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“Services People Need,
When They Need Them,
In a Place They Call Home”

Introduction

Embracing an Uncertain Future in Aging and Aging Services

Baby Boomers (those born between 1946 and 1964) began to turn 60 during 2006, in birthday celebrations signaling the onset of a global change in the future of aging and aging services. Although the future remains uncertain, we already know that nearly 10,000 Baby Boomers will turn 65 each day by 2012. We also know that those turning 60-70 over the coming decade have already altered the worlds they inhabited as babies, young adults, and middle-aged workers and consumers.

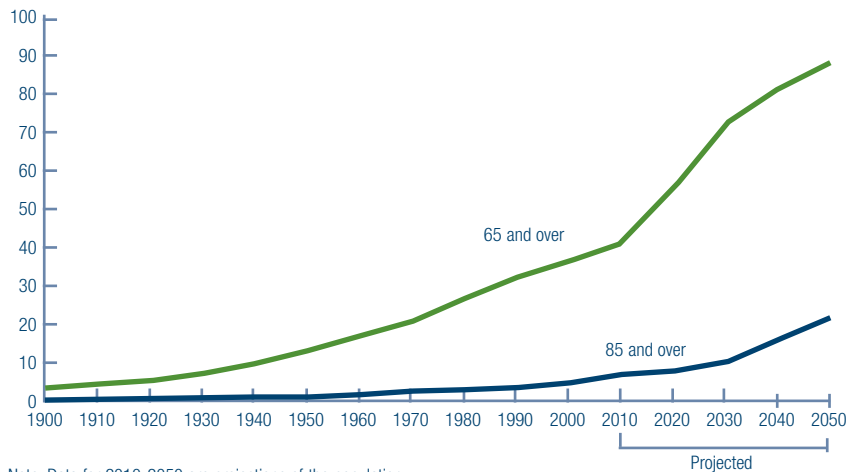
Sometimes, the transformations engendered by the 20th-century's Baby Boom followed predictable paths. At other times, the forces of cultural, demographic, economic, political, technological, and other change challenged current thinking and pushed the world into unfamiliar and often unsettling terrain. Now, as Baby Boomers reach retirement years, they will surely continue to influence their larger environment and challenge the ways global societies think about and deal with aging populations.¹

According to the Alliance for Aging Research (AAR), in the United States alone, those aged 65 and older will account for approximately 20% of the nation's total population by 2030, more than doubling the number of aging Americans from just over 35 million in 2000 to more than 71 million. The

United States Census Bureau also projects that while the proportion of those age 65 and over will remain relatively stable after 2030, the 85 and over group could soar from 4.2 million in 2000 to nearly 21 million by 2050 (see Figure 1).

¹ Mintel International Group, Ltd., *Attitudes Toward Aging, Volume II, the United States* (2004), ff.

Figure 1 ■ Number of people age 65 and over, by age group, selected years 1900-2000 and projected 2010-2050



Note: Data for 2010-2050 are projections of the population.
Reference population: These data refer to the resident population.
Source: U.S. Census Bureau, Decennial Census and Projections.

In addition, the composition of America's older population has begun to shift. In 2003, 82.5% of Americans age 65 and over identified themselves as non-Hispanic white; by 2050, the Census Bureau projects that non-Hispanic whites will represent just 61.3% of the 65 and older population. With the older Hispanic/Latino population growing at the fastest rate, Census projections are that their numbers will increase from 5.7% of older adults in 2003 to more than 17.5%. These shifts may radically alter the ways Americans view old age, not only socially, but economically and politically as well.²

Similar demographic shifts have taken place around the globe, with

aging populations climbing to even more staggering heights in other mature market societies, and developing regions now poised to catch up to trends already underway in Japan (currently the "oldest" country in the world), Western Europe, and the United States. While natural increases

and immigration promise to drive American population growth by about 0.9% per year over the next five years, those between 20 and 65 years of age will expand by no more than 1% per annum. The economic, political, and social future of the United States and the globe will depend upon both how societies come to terms with these changing demographics, and how Baby Boomers themselves greet the arrival of old age. Indeed, as members of the AAR have argued, this "demographic tsunami" will not only wash over every institution and every community worldwide but also will touch each and every one of us personally.

Reluctant to let go of their hard-fought youth, and continuing to proclaim themselves a group of rebels at the very time when they have emerged as the primary care

EXTENDING THE LENS TO PREPARE FOR THE FUTURE

As part of our ongoing effort to prepare members of the American Association of Homes and Services for the Aging (AAHSA) for future realities, contingencies, and uncertainties, this report builds upon our commitment to scenario development as part of a systematic approach to navigating uncertainty (see Figure 2).

By employing scenarios as part of a dynamic and ongoing process, organizations can develop flexible strategies while simultaneously monitoring the external environment. Moreover, because scenario planning helps organizations remain buoyant in a

world of rapid change, this report also updates and moves beyond our 2002 report, *Services for the Aging in America: Four Scenarios for the Next Decade*, so that we can better deal with that demographic tsunami on the horizon.

Our 2002 report provided four very different scenarios (or stories) about the future of aging services through 2012, using two critical uncertainties as a lens to reflect on the changing field: the first, the level of funding available for such services; and the second, the degree to which medical care and technology advance through

² See, in particular, the Alliance for Aging Research (AAR), 2004 *Task Force on Aging Research Funding: Meeting the Needs of the 21st Century* (2004), at <http://www.agingresearch.org/>; and Federal Interagency Forum on Aging-Related Statistics, *Older American* (2004), at <http://www.cdc.gov/>. Japan's over-65 population has already reached 20%; thanks to advances in health care and improved longevity, Japan also holds the record for the highest longevity in the world (and, conversely, the lowest birth rate as well as the most quickly shrinking labor force), ff.

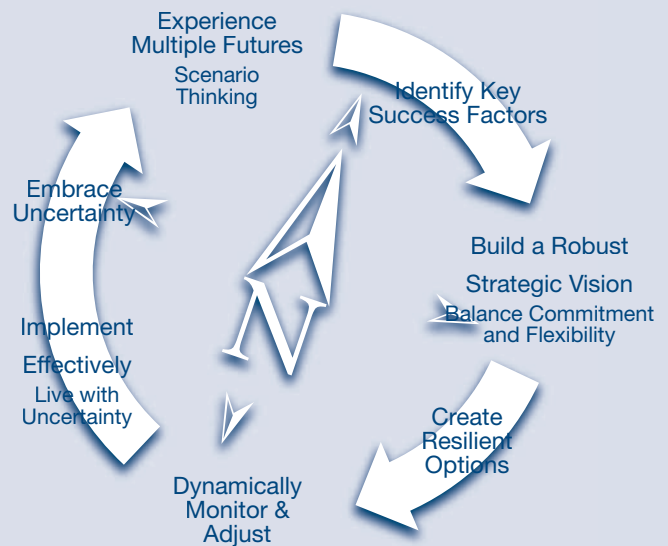
givers for their own aging parents, activist Baby Boomers declare that they plan to take charge of their future. They intend to age differently than the generations preceding them. Although differences exist depending upon economic and social class, record numbers of Baby Boomers have embraced new products and services to combat aging—eating better and healthier foods, and purchasing unprecedented quantities of personal care products, including “cosmeceuticals,” drugs, hormone treatments, and non-surgical as well as surgical cosmetics.

Trying to create a new model of mid-life focused on renewal, the most vocal Boomers express no interest in giving up the center stage on which they have played for so many decades. As a result, middle-class Boomers also exercise their bodies and minds in

2012. Having identified these uncertainties as a framework, we explored a set of forces that will influence the future. We set out to build a robust strategic vision that balances our commitment to these areas as well as to the kinds of flexibility we require for dynamic monitoring, adjustment, and effective implementation. Through efforts to plan, knowing these uncertainties, we quickly realized that aging Baby Boomers will continue to raise the stakes as they find themselves heading into the long and winding road of their own post-age 60 reality.³

³ American Association of Homes and Services for the Aging (AAHSA) and Decision Strategies International, Inc. (DSI), *Services for the Aging in America: Four Scenarios for the Next Decade* (2002).

Figure 2 ■ Decision Strategies International’s Strategic Compass for Profiting from Uncertainty



record numbers, joining fitness clubs, going on physically adventurous vacations, taking on new educational projects, and often changing careers two, three, or more times from age 30 forward. They actively involve themselves in health-care decisions as well, with the most affluent seeking to

launch, promote, and understand the technologies that continue to flow from the creative energies unleashed in the aftermath of World War II.⁴

Many Baby Boomers also expect to out-perform as well as out-live their parents—working longer and harder, not only or just because they will need more money to meet the challenges ahead, but also, some argue, because they crave the kinds of independence, mental stimulation, and new adventure that ongoing employment promises to provide. Announcing themselves perpetually more vigorous than their parents’ generation, many Baby Boomers also have no intention of retiring to a beach or into the sunset.

Anticipating better physical *and* mental health than their parents enjoyed, many Boomers argue that they will remain youthful for a longer period, thanks in no small measure to anticipated

⁴ Kevin Kinsella and David R. Phillips, “Global Aging: The Challenge of Success,” *Population Bulletin* 60:1 (2005); and Mintel, op.cit.

breakthroughs in medical technologies, to their commitment to life-long learning and physical activity, and to their collective sense that they have a destiny to fulfill. They believe they will find cures for chronic illnesses, particularly debilitating ones such as Parkinson’s and Alzheimer’s disease. They believe they can generate opportunities for themselves and others. And they believe they have the answers to the better future that so many of us wish to promote.⁵

This sort of confidence (even over-confidence) about the power to control events promises to reshape the future of aging, no matter the realities Baby Boomers will encounter as they move more deeply into old age, face the challenges of

costly longevity, and experience the rapid expansion of cardiovascular disease, Alzheimer’s, depressive disorders, vision impairment, diabetes, and other age-related conundrums.

As a powerful block of consumers and voters, and the collective voice of a potentially defiant yet aging generation-with-attitude, Baby Boomers promise to demand more and different kinds of services over time, not only for themselves, but also for their parents. In the United States, as elsewhere, only time will tell whether or not they will fulfill the destiny that some of their most ardent champions have carved out for them. But whether Baby Boomers surface as active (even revolutionary) participants in the

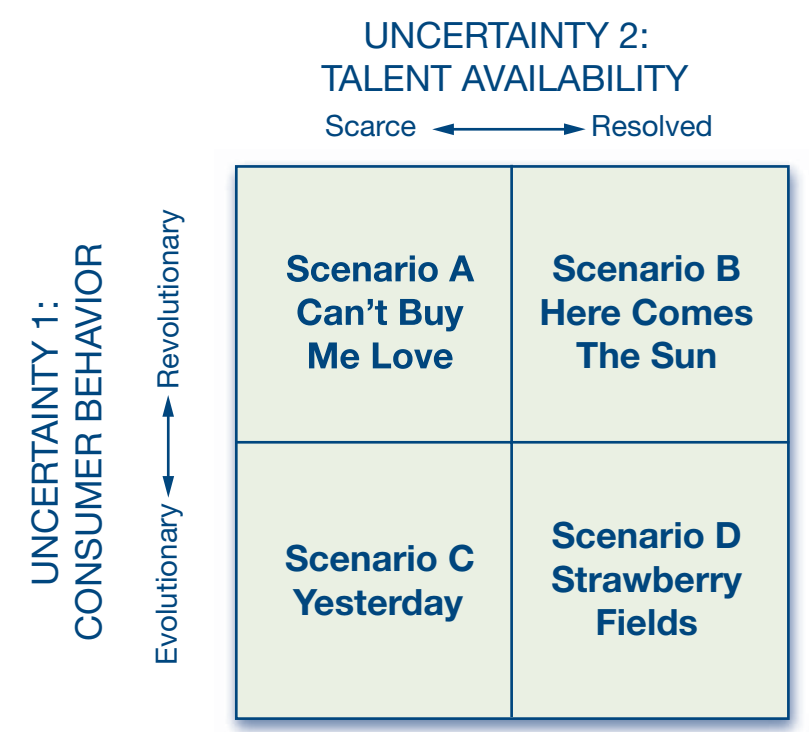
future of old age, or simply slide into passivity, their numbers alone will pose new sorts of challenges and opportunities to providers of services for the aging. At the same time, the current state of the aging services field and shortage of talent have combined to make the need for strategic planning an increasingly urgent imperative.⁶

With Baby Boomer demands forcing service providers to get personal about the issues that now matter most to America’s aging population, we have decided to enhance our planning process by embracing those uncertainties that affect us all, whether as Boomers ourselves, or as providers of services for them. As a result, our 2006-2016 report focuses upon the degree to which and manner in which a demanding older population will impact society, and whether or not aging services providers will have the ability to attract and to retain talented individuals both trained for as well as interested in providing care for the country’s post-60 populations.

From these two key uncertainties, four distinctive scenarios have emerged in the “2x2 Matrix” (outlined in Figure 3), which together describe a range of potential outcomes that providers of services to the aging in the United States might confront over the coming decade.

In Scenario A–“Can’t Buy Me Love”–we examine the sorts of

Figure 3 ■ 2006–2016 Scenario Design 2 x 2 Matrix



⁵See, for example, the special issue on the United States’ aging workforce in *The Economist* (February 16, 2006), particularly the pieces entitled “How to Manage an Ageing Workforce,” and “Turning Boomers into Boomerangs.”
⁶Alliance for Aging Research, op.cit.; and United Nations, *World Population Ageing, 1950-2050* (2002).

circumstances that might lead to a future with demanding and disruptive consumers, strong funding and medical breakthroughs, high demand for technology, and a scarce talent pool. Conversely, in Scenario B—“Here Comes the Sun”—our vocal and motivated consumers fight for what they want in a world with revolutionary medical breakthroughs and the talent issue resolved. In Scenarios C and D—“Yesterday” and “Strawberry Fields,” respectively—we encounter consumers content with gradual change, the first inhabiting an unsettling American environment short on technological innovation and talent, and the latter in a world with a stable political-economy, adequate funding, and few staffing shortages. Together, we hope that these scenarios will help AAHSA’s member organizations make timely decisions and remain energized and viable in our increasingly complex and uncertain world.

AAHSA scenario reports make no attempt to predict the future with absolute certainty. Instead, we embrace uncertainty as part of our vision to advance healthy, affordable, and ethical aging services for Americans, and as part of our mission to create the future of aging services. As a result, we do not offer up predictions about which one of these four scenarios will unfold. We have created these “histories of the future” to stimulate thinking about the variety of strategies organizations should employ to achieve success in each and every

one of the four scenarios.

We hope this report will stimulate new ideas about how best to improve strategic goals so that our members can have more clearly focused conversations about protecting and advancing the interests of the individuals we serve, and about creating the future of

aging through quality services that people can trust. Such conversations necessarily begin with a clear understanding of the scenario planning approach to organizational strategy, and why we employ it as a tool for thinking about the future of aging services and for increasing the value of our membership.

Scenario Planning and the Future of Services for the Aging

What Is Scenario Planning? A Refresher

Simply put, scenario planning involves undertaking the research and critical analysis required to write “histories” of the future—plausible, relevant, and alternative stories built around carefully constructed plots that help to explain the changes that may move us from current circumstances into an uncertain future.

In important ways, scenario planners employ the historian’s craft, selecting from agreed-upon dates, events, and documentary pieces of evidence (those qualitative forces, observations, perceptions, and trends as well as quantitative support materials) that help to record the significant forces that shape the world we now inhabit. In the case of this report on the future of aging and aging services in America between 2006 and 2016, we have based our four scenarios on:

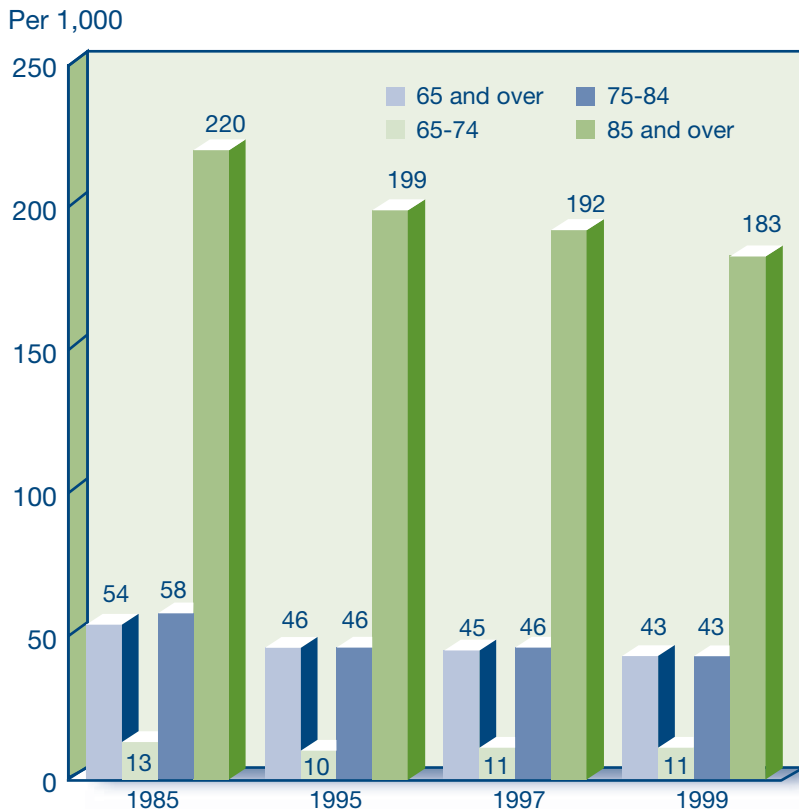
- interviews with leaders in the field of aging

- research that helped us develop a list of external forces shaping global aging and aging services in the United States
- inputs from state association boards of directors
- insights from national focus groups
- surveys distributed to more than 100 services providers, consumers, experts and leaders in the field, and others⁷

Like historians, scenario planners choose an end date, working their way backward in time to mark pivotal moments and to frame distinguishing symbols of change—those cultural perceptions, rituals, and values; economic and environmental conditions; political and regulatory climates; social group profiles (including demographic shifts in age, ethnicity, gender, and race); understandings about knowledge and science; and technological innovations—that matter when building coherent

⁷See Appendices for stakeholder surveys and strategic forces shaping the future of aging and aging services.

Figure 4 ■ Rate of nursing home residence among people age 65 and over, by age group, 1985, 1995, 1997, 1999



Note: Beginning in 1997, population figures are adjusted for net underenumeration using the 1990 National Population Adjustment Matrix from the U.S. Census Bureau. People residing in personal care or domiciliary care homes are excluded from the numerator. Reference population: These data refer to the resident population. Source: Centers for Disease Control and Prevention, National Center for Health Statistics, National Nursing Home Survey.

explanations about how people move from point A to point B over time. Unlike historians, however, scenario planners do not end their stories with past or current moments in time; instead, they project forward—to a future date when outcomes remain highly uncertain, but significant changes seem both plausible and probable, given past trends and current forces.

In the case of the future of aging and aging services in America, 2016 serves as the date on which the scenarios end and their details

depend, with the course of change set in motion from 2006 forward. We selected this 10-year window because aging Baby Boomers promise to stimulate unprecedented change in the coming decade, not only as they care for their aging parents, but also as they themselves encounter the challenges of aging, including the possibility of deteriorating health, finances, and independence.

These developments will influence aging services profoundly during the next decade as

organizational leaders seek innovative ways to provide the continuum of services aging Americans require—whether as senior “singletons,” as couples and friends wanting to age in their own homes, or as singles and partners seeking assisted living residences, continuing care retirement communities, nursing homes, community services, and senior housing. As Figure 4 suggests, recent declines in rates of nursing home residence may reflect broader changes in the health-care system affecting older Americans. Other forms of residential care and services, such as assisted living and housing with services, have become more prevalent as nursing home admissions have declined, and we must also take these changes into consideration.⁸

Organizations facing highly uncertain futures, such as the one we now face, commonly develop scenarios as part of their strategic planning process, because scenario planning is an effective tool for mapping out complex environments dependent upon multiple forces, trends, and uncertainties. **Trends** (such as the aging demographic) emerge as those highly predictable, concrete forces that not only promise to have significant influence on the field, but also emerge as the factors on which most of us willingly bet our strategy. **Uncertainties** surface as those unpredictable forces that may have an important impact on the future of aging services (such

⁸Patricia M. Barnes, Eve Powell-Griner, Kim McFann, and Richard L. Nahin, “Complementary and Alternative Medicine Use Among Adults: United States 2002,” *Advance Data No. 343* (2004); and American Hospital Association, “Chapter 3: Service Area Competitor Analysis,” in *Health Forum Survey* (2004), ff.

as how consumers will exercise their voice and what impact it will have on society, or whether or not the field will have sufficiently talented people to serve America's elderly).

Whereas traditional planning focuses on forecasts, future trends, and the extrapolation of current market conditions, scenario planning emphasizes future unknowns *and* possibilities. And while traditional planners attempt to define the future, all the while advising organizations to build plans to meet that future, scenario planners imagine different futures to stimulate thinking about how organizations might build strategies to shape rather than to react to changing circumstances.

The following box outlines how scenario planning differs from the usual strategic planning processes of sensitivity analyses, contingency planning, and computer simulation.⁹

By exploring the interactions of external forces that may jointly create vastly different outcomes, scenario planning offers a framework to identify trends, uncertainties, stakeholders, drivers, and other factors that may influence future strategy. Organizational members of the strategy team can then combine these factors in diverse ways to reflect alternative perspectives about how the future might unfold.

HOW SCENARIO PLANNING WORKS

Scenario planning differs from contingency planning, sensitivity analysis, and computer simulation. Contingency planning examines one key uncertainty at a time, whereas scenario planning examines the joint impact of various uncertainties. Similarly, sensitivity analysis examines the impact of changing one variable a tiny bit, while keeping all others constant. In contrast, scenario planning changes multiple variables at a time, without trying to keep others constant. It tries to capture the new futures that will develop after major shocks or significant deviations occur in key variables. Scenario planning looks at the extremes to gain insights into the possibilities in between. Although complex simulation models can examine changes in multiple variables, they do not necessarily lead to clearer insights. The future often contains elements not easily included in formal models, such as changes in regulations, public attitudes, and technology.

AAHSA's Commitment to Scenario Planning

As the nation's premier association representing mission-driven, not-for-profit organizations dedicated to providing the "services people need, when they need them, in a place they call home," AAHSA has used scenario planning as a focus for the future. We know the demographic trends that will likely drive dramatic change in the field of services for the aging, and we have engaged in ongoing discussions about the need to make the field more attractive to care givers—traditional ones such as nurses, social workers, and geriatric health-care workers, as well as educators, employers, family members, CEOs, administrators and managers, regulators, and other

stakeholders with an interest in aging and aging services. Indeed, we have already used scenario planning to identify how the field may change, as well as to prepare our member organizations for what lies ahead. As a result, rather than just summarizing yet more mountains of data, we have embraced scenario planning to challenge our prevailing views, and to create a sense of urgency about discussing the future before it arrives.

From our experience, scenario planning's unique focus on uncertainties—how they might play out and influence each other over time—holds the promise of the better future that we all sign on for when

⁹For additional reading on the methodologies employed throughout this report, see George S. Day and Paul J.H. Schoemaker, eds., *Wharton on Managing Emerging Technologies* (2000) and Day and Schoemaker, *Peripheral Vision: Detecting the Weak Signals that Will Make or Break Your Company* (2006); J.E. Russo and Paul J.H. Schoemaker, *Winning Decisions* (2000); and Paul J.H. Schoemaker, "Strategy, Complexity and Economic Rent," *Management Science* 36:10 (October 1990): 1178-1192, "How to Link Strategic Vision with Core Capabilities," *MIT Sloan Management Review* 34:1 (Fall 1992):67-81, "Scenario Planning: A Tool for Strategic Thinking," *Sloan Management Review* 37:2 (Winter 1995):25-40, and *Profiting From Uncertainty* (2002).

embracing Quality First, and that we articulate through our ideals:

- dignity of all persons at every stage of life
- services people need, when they need them, in the place they call home
- quality that people can trust
- mission-driven, not-for-profit values
- advocacy for the right public policy for the right reasons
- leadership through shared learning

In our work with Decision Strategies International, Inc. (DSI), we have learned that three fundamental beliefs guide the scenario planning process. The first centers on what the DSI team calls “disciplined imagination”—that is, when thinking about the future, scenario planning leaders should tap into creativity and innovation but also follow a well-defined process for embracing the uncertainties ahead. Secondly, numerous, uncontrollable forces act upon organizations. We should therefore identify potential outcomes and explore interactions rather than vainly attempting to develop strategies to influence external forces beyond our control.

Finally, strategy is best developed

neither by outside experts alone, nor by an executive

team working without input from other stakeholders. It is best developed by those responsible for executing it, with organizational members employing a disciplined process to untangle the many complex and thorny issues facing them and to manage internal politics.

Because the past matters to the present and the future, we need to place our four scenarios within a larger context, reviewing the major stakeholders involved, the trends and uncertainties guiding the industry, and the lessons learned from 2002–2012 (the end-point of our 2002 scenario planning project). Together, these factors play significant roles in paving the way for the worlds we will explore in 2016. (For a broader discussion of the key challenges facing aging and aging services, see the appendix, “Aging and Aging Services: An Update on Key Challenges.”)

Major Stakeholders

As we noted in our 2002 report, no single stakeholder can address all the manifold issues we face. Traditional stakeholders will shape the future of services for the aging, but other

parties we sometimes ignore

also play critical roles. Each set of stakeholders has unique interests, motivations, and, of course, degrees of power that require careful scrutiny as we think about the future.

In our 2002 report, a brief survey of aging services providers and thought leaders resulted in a list of important stakeholders, including: consumer advocacy groups, aging services providers, aging services advocates, government oversight and regulatory agencies, labor unions, federal elected officials, state elected officials, the media, and those involved in the judicial system and the health insurance industry as well as lawyers, residents, consumers, family care givers, and financial and business communities. For this report, we have added two additional stakeholder groups: all the educators who will play a role in the future of talent availability; and *all of us* (meaning every American—for as many of our expert interviewees stressed, everyone has a stake in the future of a rapidly aging society).

Each stakeholder and stakeholder group will have individual sets of interests, capabilities, resources, and priorities, and each will influence the future of services for the aging in his, her, and their own way. In some situations, certain stakeholders may become more powerful. In others, their influence will weaken. As we anticipate the future of aging and aging services, we must consider the relative power and interests of all players involved.



Using Scenarios to Understand Uncertainty and the Future of Aging and Aging Services, 2006-2016

The only confident prediction we can make is that the future will be different from the world we inhabit today. How quickly or slowly the landscape will change remains highly uncertain. Moreover, the future often contains elements not easily included in formal models.

Uncertainties abound—how aging consumers will perceive the world and move to change it; the degree to which younger workers and consumers will care about demographic change and the aging population; the ways in which the American (and global) political-economy will influence the financial position of aging populations and services; the government’s funding priorities; the technological advances that may or may not improve care for the elderly; the role the media and courts will play; the ways in which the regulatory environment will shape the field; and the educational and other commitments Americans make to uphold or to change the social milieu.

Because different blends of trends, uncertainties, stakeholder roles, and other variables can change future outcomes significantly, we describe “possible” futures by developing scenarios that internalize a wide variety of variables that might produce different outcomes.

Trends

Following the tradition of earlier planning work, our 2016 scenario

exercise began by identifying the multitude of forces that may shape the future of aging and aging services over the next decade. We interviewed leaders in the field and other interested parties to uncover the cultural, economic, environmental, political, regulatory, scientific, social, and technological forces at play, knowing full well that these forces may interact with each other in complex ways.

The uncertainties that drove our scenarios in 2002 continue to be uncertainties in 2006. Their presence will influence each of the 2006 scenarios differently. Yet, four years later, there are developments, and the

position in the “cone of uncertainty,” within which the future is likely to evolve, is less remote. From our interviews and research, we identified nearly 100 forces expected to influence all scenarios between 2006 and 2016, which we later separated into trends and uncertainties.

Although we cannot predict the extent to which some factors will change over the next 10 years, we can assume that some trends will surface as more important than others.

Among the many factors examined, our scenario planning participants agreed that 11 “top trends” would likely reinforce one another and, in some cases, overlap. As a result, our four scenarios—to one degree or another—reflect these trends:

- T01.** Aging Baby Boomers will redefine issues of care and launch a consumer revolution in care for the aging.
- T02.** An infrastructure unprepared to address the coming aging Baby Boomer cohort will become increasingly apparent throughout the entire aging services sector.
- T03.** A consumer-driven model will replace the current product/service model driving aging services providers.
- T04.** Over the next 10 years, through technology and flexible services, the center of care will move from the institution to the home.
- T05.** Home diagnosis and other technologies will greatly improve the individual’s ability to remain independent.
- T06.** Health care and the aging market will offer great opportunities for business in the coming 20 years.
- T07.** Prevention, rather than crisis care, will emerge as the new focus of aging services.
- T08.** Over the next 15 years, retiring Baby Boomers will find ways to flex their political muscle and dictate the political agenda.
- T09.** Privatization of aging care will lead to an ever-widening chasm between social groups in the United States.
- T10.** Current management teams will lack the skills to lead a diverse workforce with complex work arrangement expectations.
- T11.** Capital markets will fund entrepreneurial initiatives in health care and care for the aging.

Uncertainties

Although trends matter to the stories that unfold in the four scenarios developed for this report, uncertainties drive the scenario planning process. Scenario planners need to separate predictable trends from uncertainties, so that they can project possible interactions using a limited number of scenarios. Importantly, scenario planning embraces uncertainty by identifying those unknowns that matter most in shaping the future. Rather than considering hundreds of variables and potential outcomes, scenario planners focus on the most fundamental ones and then describe, in some detail, what range of futures and critical choices lies ahead. Our four scenarios present multiple visions of how those changes will play out to influence the future of aging and aging services in the United States between 2006 and 2016.

Rather than describe all possibilities, scenario planners try to limit the range of possibilities by depicting a few scenarios in detail. As diagramed in Figure 5, these scenarios define a “cone of uncertainty” within which the future is likely to evolve. Only under the most unusual circumstances, involving low probability “wild cards” or exogenous shocks to the system (such as 9/11 or Hurricane Katrina), would we expect the future to evolve beyond the boundaries of the cone. If organizations develop strategies that can survive, or ideally thrive, in the boundary cases depicted in the scenarios, they can also handle intermediate or the “more likely” cases.

Survey results, research analysis, focus groups, state association boards, interviewees, and workshop participants helped us to identify 10 key uncertainties likely to influence the future of aging and aging

services over the coming decade. Because these 10 uncertainties exhibit some overlap and depend upon one another, our four scenarios explore them in combination.

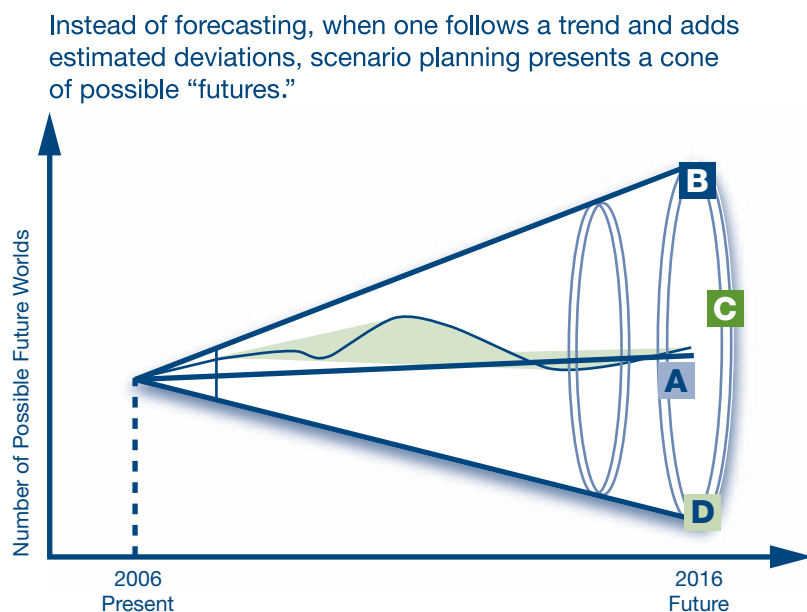
Key Uncertainties for the Future of Aging and Aging Services, 2006-2016

- U01.** Consumer Behavior
- U02.** Talent Availability
- U03.** Funding Availability
- U04.** Medical Breakthroughs
- U05.** Regulatory Stance
- U06.** Information Technology
- U07.** American Cultural Values
- U08.** American Economy
- U09.** Geo-Political Environment
- U10.** Demographic (Location of Aging)

We try to project into our 10-year scenarios about as much change as has occurred historically, with the caveat that our scenarios cover a broad range of futures in a decade that will experience accelerated change. We also use several different scenario components—snapshots, highlights, drivers, themes, headlines, and strategic implications—to gain relevant insights into our four different futures.

Each scenario *Snapshot* (The World at 2016) describes the general landscape one might encounter in the year 2016. *Highlights*—a handful of bullet points—capture the essence of each scenario. *Drivers* (How We Got Here) emphasize the uncertainties that push each scenario from 2006 to

Figure 5 ■ DSI's Cone of Uncertainty/Possible Futures



its conclusion in 2016. *Themes* (The World We Live In) address the defining characteristics of each scenario. *Headlines* reflect changing conditions over time one might expect to see in the news. *Strategic Imperatives* (How We Live in This World) examine the qualities needed to succeed in each world created.

Each scenario also contains a *Blueprint*. As the following master

“future of aging and aging services” blueprint reveals, blueprints provide an overview of the likely and internally consistent outcomes of all 10 uncertainties identified for each scenario. The master blueprint represents the framework from which we develop each detailed scenario and allows for easy recognition of internal consistencies and breadth between scenarios.

While we could debate specifics, our scenarios attempt to present internally consistent “pictures” of what different futures could look like, given the uncertainties and trends outlined above. These will then form the environments (or “weather conditions”) under which individual institutions can develop strategies for a successful future, no matter what that future brings.

Scenario Blueprint

Scenario Blueprint	A	B	C	D
U1: Consumer Behavior	Revolutionary	Revolutionary	Evolutionary	Evolutionary
U2: Talent Availability	Scarce	Resolved	Scarce	Resolved
U3: Funding Availability	Strong	Adequate	Minimalist	Adequate
U4: Medical Breakthroughs	Strong	Revolutionary	Incremental	Slow to Advance
U5: Regulatory Stance	Outcome-Oriented	Self-Regulated and Flexible	Over-Involved	Bureaucratic/Status Quo
U6: Information Technology	In High Demand	Balanced and Self-Monitoring	Creeping Forward	Embedded
U7: American Cultural Values	Open and Accepting	Harmonious Diversity	Sense of Entitlement/“Me First!”	“Don’t Worry; Be Happy”
U8: American Economy	Strong	Balanced	Unsettled	Stable
U9: Geo-Political Environment	General Conflict Abroad	Stable	Unsettled	Negotiated Peace
U10: Demographic (Location of Aging)	Suburban and Urban Revitalization	Mobile and Urban	A Few Haves; Many Have Nots	Coastal Movement

Lessons from 2012: A Review of the 2002 Report on *Services for the Aging in America* and What We Learned From It

The above trends and uncertainties flow from our earlier scenario planning work, which continues to guide strategic thinking at AAHSA. During 2002, AAHSA collaborated with DSI on the first in a series of scenario planning projects aimed at improving our organizational strategies for the future of aging services. That work resulted in a report entitled *Services for the Aging in America*. In that report, we explored, in depth, two key uncertainties—(1) funding availability, and (2) advances in medical and information technology—those unpredictable forces that promised to have an important influence on the future of aging services.¹⁰

Together with other ongoing research efforts, our work on scenarios taught us some valuable lessons. First, we now believe more than ever before that the high cost of staff turnover makes the business case for culture change, and that workforce measures can serve as an excellent starting point for linking payment to quality. Our work also prompted us to move more deeply into technology, with the resulting launch of the Center for Aging Services Technologies (CAST) to promote and showcase developments in aging-services technology. And showcase them it did, evidenced by successful

demonstrations on Capitol Hill that attracted the attention of politicians and the media alike.

We also reaffirmed, as we explained in our *2004 Annual Report*, that culture change is a never-ending journey, where success depends on good implementation and infrastructure to sustain the future of aging services. Moreover, quality requires a multi-faceted focus on organizational transformation, as well as on continuous *and* simultaneous quality and workforce improvement.

Through our Institute for the Future of Aging Services, we have also confirmed what we knew all along: that despite highly fragmented and under-funded housing and aging-services systems, many providers have managed to cobble together creative, successful strategies to support their residents. Now, we need to continue our efforts, so that we can help policy makers and providers to systematize these strategies for wider implementation.

To address uncertainties around the availability of financing, we convened a blue ribbon cabinet to explore and recommend alternative approaches to financing long-term care. Two years of research and study, including work on understanding systems in other countries, led to a plan that takes a bold and dramatic

approach for which AAHSA now seeks public support.

Before we completed our four scenarios in 2002, we uncovered some important trends that continued to guide our endeavors as we worked our way through the uncertainties of consumer behavior and talent availability for this 2006 report. In brief, during 2002, workshop participants, expert interviewees, and other stakeholders involved in the process agreed that nine important trends would continue to influence the future of aging services, whether we end our stories at 2012, 2016, or some far-off future.

First, we agreed that only the oldest and sickest will enter nursing facilities. Thereafter, we concluded that consumer expectations for care will continue to reach new heights; that medical research will allow for greater disease prevention and delay the onset of some chronic illnesses (such as incontinence, heart disease, and arthritis); that consumers will want the kind of individuality that will require mass customization; that public policy will be revised to encourage the purchase of long-term care insurance; that the biotech industry will expand and generate an increasing number of significant discoveries; that consumers will be better educated than in previous years but will also have to continue to learn in order to keep up; that demand for both preventive and predictive health care will increase; and that access to quality health care will remain far from universal.

¹⁰ AAHSA and DSI, *Services for the Aging in America* (2002).

In 2006, those trends still hold true. They have just become increasingly complicated as we begin to think more deeply about uncertain consumer behavior and future availability of talent.

From the trends identified during 2002, we moved into what makes scenario planning both unique and valuable—its focus on uncertainties and how those future unknowns might play out and influence one another over time. Following up workshop participation and interviews with further research on funding availability, we examined the state of the economy, both in individual states and on the national level. We also delved into questions about the future of personal (including medical) savings; government support for housing and health care; Medicaid funds and waivers; various forms of coverage (including those focused on different levels of health insurance, Medicare, and prescription drugs); the solvency of the Social Security system; government spending on social programs; ease of access to capital (whether through loans or equity); tax policy and tax incentives; and the levels and types of philanthropy we might expect to see.

In the case of uncertainties focused upon medical and information technologies, we explored factors influencing the possible future of medical research on chronic disease prevention and cures; medical and psychological research on dementia; diagnostics, preventive, and predictive health

care; genetic testing and biotechnology; pharmacology and gerontology; drug delivery methodologies; homeopathy, biofeedback, and alternative medicines; and information technology, the Internet, and e-health care. We also explored other devices, along with the robotics and “smart houses” we might see in the future.

Of course, other uncertainties emerged as germane to our 2002 investigation as well. Exploring them in combination with our high-level uncertainties, and with one another, these included the role of governmental regulation and policy decisions; the level of labor and staffing required; ongoing and changing elderly needs; the surfacing

of moral and ethical issues; and the possibility of changing social expectations.

After speculating about our uncertainties and the futures they might create, we then pulled in the trends identified by our workshop participants, interviewees, and other stakeholders so that, together, we could develop four very different futures to galvanize change in the field. As depicted in Figure 6, our storylines resulted in four different end-points: Living Desert; Great Divide; Golden Pond; and New World, all of which reflected the very different worlds that our scenario work created between 2002 and 2012.

Scenario A—“Living Desert”—hinges upon a severe lack of resources available to care for the

Figure 6 ■ 2002-2012 Scenario Matrix

From the key uncertainties, four distinct scenarios emerge, describing the range of futures facing the providers of services to the aging.

		MEDICAL CARE & TECHNOLOGY ADVANCES?	
		Incremental Advances	Breakthrough Advances
FUNDING AVAILABILITY?	Poor	LIVING DESERT	GREAT DIVIDE
	Rich	GOLDEN POND	NEW WORLD

elderly, a reality resulting from the fact that the public has focused its attention on other priorities. A national emphasis on domestic security dampens economic expansion and diverts resources away from care for the aging. Other challenges, including a new medical epidemic, exacerbates this shortage of funds, while quality of care worsens as many providers leave the field to care for victims of the epidemic. Advocacy groups, unions, state agencies, and other stakeholders push hard for more money in this scenario, but scarce funding fails to stem the downward spiral. This scenario forces many service providers to undertake harsh austerity measures, and a few fundamentally rethink their mission and approach. Survival thus depends upon making tough trade-offs.

The confluence of a mediocre national economy and increasing socio-political polarization brings about the “Great Divide” we explored in Scenario B. Here, recent technological advances provide solutions for some key problems associated with aging; however, those solutions have remained very expensive, making them available only to the few who can pay for them. This has created a substantial gap between the haves and the have-nots, with many stakeholder groups up in arms about the further chasms created in American society. Unfortunately for them, marketplaces, and the technologies behind them, dominate discourse

about aging services. Embroiled in ethical dilemmas, what with so many needy citizens excluded from the debate, health care and medical service providers find themselves caught up in the same divides shaping the nation.

The “Golden Pond” envisioned in Scenario C contains a thriving economy, with the extensive application of conventional medical and information technologies. Advocacy groups, service providers, regulators, the media, and the courts all move toward a philosophy that empowers consumers and stimulates increasing concern about public and private funding for services focused on the aging. Catalyzed by information dissemination and access to sound health care, Scenario C creates a golden era for many aging services providers, where demands for high-touch remain and adequate resources flow into the system. The challenge for service providers involves focusing their increased funding toward best-bang-for-the-buck solutions, usually into existing information technologies to improve both quality and efficiency of care.

In the “New World” scenario, a strong economy spurs breakthrough medical technologies and business innovations. While Golden Pond describes a rich but otherwise traditional environment for technological innovation, this scenario flourishes on re-invention and creativity. The New World results from the collapse of the traditional system that dominated

the early 2000s, prompting the need for the federal government to step in and to consolidate all funding sources under one umbrella for services to the aging. This eliminates many of the system’s gross inefficiencies and prompts the innovations that lead to cures for chronic illnesses such as Alzheimer’s and Parkinson’s disease. Traditional providers then re-focus services to include innovative in-home care, high-tech monitoring systems, and other programs that create a sense of community and belonging for the aging population. Scenario D also attracts new entrants who approach services for the aging in very different ways, forcing traditional players to rethink everything from training to compensation, staffing, and management styles.

Contemplating the road ahead in 2002, we understood that we had developed these four scenarios to engage collective learning and problem solving, and to encourage new thinking among all stakeholders involved in aging and aging services. As part of an integrated strategic planning process, the four initial scenarios also served as a springboard rather than an



end-point, as the first step in a continuously evolving process that would become the iterative learning loop depicted in Figure 2's "Strategic Compass." Importantly, that learning loop involves the need not only to experience the multiple futures depicted in the initial scenario planning process, but also to build a robust strategic vision, to create resilient options, and to monitor and adjust strategies in a dynamic way.

By vigilantly tracking key external assumptions, scenario planning helps to develop an accurate monitoring system that can warn us when previous uncertainties have become more concrete, such as changing consumer behavior related to an aging population or the mounting and critical shortage of talent available to serve the "demographic tsunami" heading our way.

Many executives in the nonprofit and for-profit sectors recognize the need for scenario planning, competitive analysis, market research, and the core competency assessments we described in the 2002 report. Yet planners too often discount the

ongoing need to monitor changing markets and track external signals relevant to their strategy, including weighing the importance of future scenarios, organizational options and initiatives, market segments (both those

to target and those to ignore), and the capabilities needed to achieve organizational goals. As a result, ongoing strategic planning must include more than "experiencing" the four scenarios we developed. It also necessitates an improved focus on acquiring "peripheral vision" and "wiring" skills.

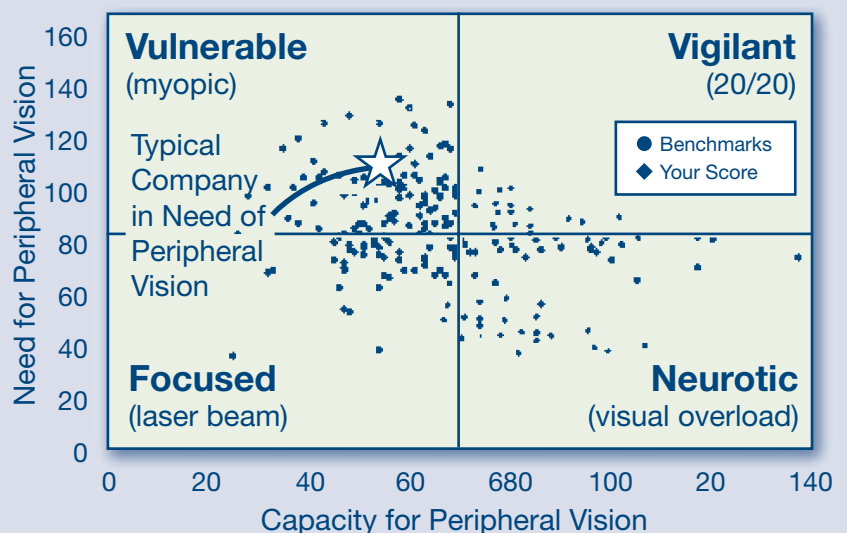
Peripheral vision techniques involve gaining the capacity to see beyond the immediate horizon, to perceive the significance of events unfolding at the edges of one's area of expertise, including the weak signals that may suggest opportunities and threats. For example, if a rumor about new competitors emerges, perhaps we should take that rumor seriously, particularly when combined with other "weak signals," whether a newspaper article about some new gadget that could influence strategy (even tangentially) or a blog site with increasing numbers of complaints about the field's products or services.

In their recently published *Peripheral Vision: Detecting the Weak Signals That Will Make Or Break Your Company*, George S. Day and Paul J.H. Schoemaker provide both a diagnostic "eye exam" to test an organization's peripheral vision as well as strategies to broaden organizational vision.¹¹

As Figure 7 suggests, most organizations fall prey to external forces because they suffer from myopia and tunnel vision, driving straight ahead without looking in the rearview mirror or to the right and left. Additionally, most organizations face more than the challenge of developing peripheral vision capabilities. They also need a direct and measurable way to connect capabilities to each element of strategy, so stakeholders can adjust before they get blind-sided by change. This involves monitoring market forces and weak signals that can influence scenarios, capabilities, market segments, and initiatives downstream.

¹¹ See Day and Shoemaker, *Peripheral Vision*, cited above.

Figure 7 ■ Your Peripheral Vision Results



Scanning the periphery and monitoring capabilities requires an ongoing commitment, but organizations that fail to take steps to convert planning exercises into ongoing and dynamic “living strategies” run the risk of finding it extraordinarily difficult to respond to rapidly changing conditions. When thinking about aging and aging services in the United States, peripheral vision and monitoring exercises also forced us to re-examine the forces, trends, and uncertainties influencing the future that AAHSA’s members will face, and to address the threats and opportunities posed by the globe’s evolving demographic shift, particularly those associated with uncertain consumer behavior and the escalating crisis in staffing.

Additionally, our 2016 scenarios consider strategic questions related to some of the following uncertainties:

- whether or not aging services can earn the public’s trust without heavy regulations
- whether or not sufficient public pressure will emerge to generate the political will required to change the way the United States plans and pays for aging services
- whether or not technological and talent availability will make person-centered, home-centered care a reality
- whether or not the aging services field can both attract and retain a skilled workforce needed for quality care
- whether or not, and how fast and aggressively, Baby Boomers will put ageism out to pasture
- the degree to which the not-for-profit sector will emerge as entrepreneurial, as a leader or a follower
- the speed by which states, communities, and neighborhoods will integrate care and services through networks that “vaporize” traditional silos
- whether or not, and how aggressively and convincingly, not-for-profits in aging services can build the case for increased resources via philanthropic institutions and capital markets
- whether or not, and how effectively, the aging services sector will understand and respond to all consumer sectors
- whether or not the aging services sector can create an effective role for volunteers as part of the talent pool

Scenarios for 2016

The Long and Winding Road: Two Major Uncertainties Ahead

From the 10 key uncertainties our survey respondents and expert interviewees identified, two major uncertainties emerged as the most important to use as frames for the future worlds that might emerge in 2016. We then wove the other top uncertainties, including those that emerged as prominent in 2002, into the overarching framework as well as each scenario.

Uncertainty 1: Consumer Behavior— Revolutionary or Evolutionary?

Many predict that aging Baby Boomers will fight for the rights of the aging and will not put up with conditions as they currently stand. As a new face of aging emerges because of the activism of this powerful generation, what will aging services look like? Will the field receive the funding it requires to resolve its talent and fiscal crises, or will Baby Boomers make matters worse by expressing their desires through different sorts of post-retirement choices?

Conversely, what if consumers accept more evolutionary change? What would be the impact? Could an unstable geo-political environment override all other concerns and continue to focus attention away from domestic concerns? Would the aging population seek solutions within family circles or through friends? Or might a strong economy, along

with powerful regulatory agencies and bureaucrats, rule the roost, with consumers receiving the things they need and want without lifting a finger? Which business models would win in such situations? How might service providers influence views on aging in such environments? Answers to all of these questions could create vastly different futures.

Uncertainty 2: Talent Availability–Scarce or Resolved?

The United States’ health-care staffing crisis is a critical issue in the field of aging services, and the country’s ability to resolve its talent scarcity problem remains highly uncertain. What would happen if aging services providers found it easy to attract talent, and what would happen if they failed to locate the people needed? Would nursing homes shrink or disappear as competition appeared from the hospitality or resort sectors? Would retirees enter into more communal or shared living arrangements, or leave the country altogether to find the services they need?

Conversely, what if the United States resolved its health-care staffing crisis, in part by substantially increasing wages for the lowest-level jobs? Where would the talent come from? How would Americans pay for the increase? Would significant spending on education emerge to create opportunities to fulfill the leadership, professional, technical,

skilled, and menial requirements of the aging services field? Would the government loosen immigration restrictions to encourage the influx of talent and unskilled labor from beyond American borders? What geo-political, economic, cultural, and social conditions would pave the way for such scenarios? What business models would win under such vastly different circumstances? What futures would result?

Four Possible Worlds

Our two major uncertainties–consumer behavior and talent availability–provide the framework for the four possible worlds we have created for 2016 (depicted in Figure 8). While this 2x2 matrix provides the structure for the four worlds we

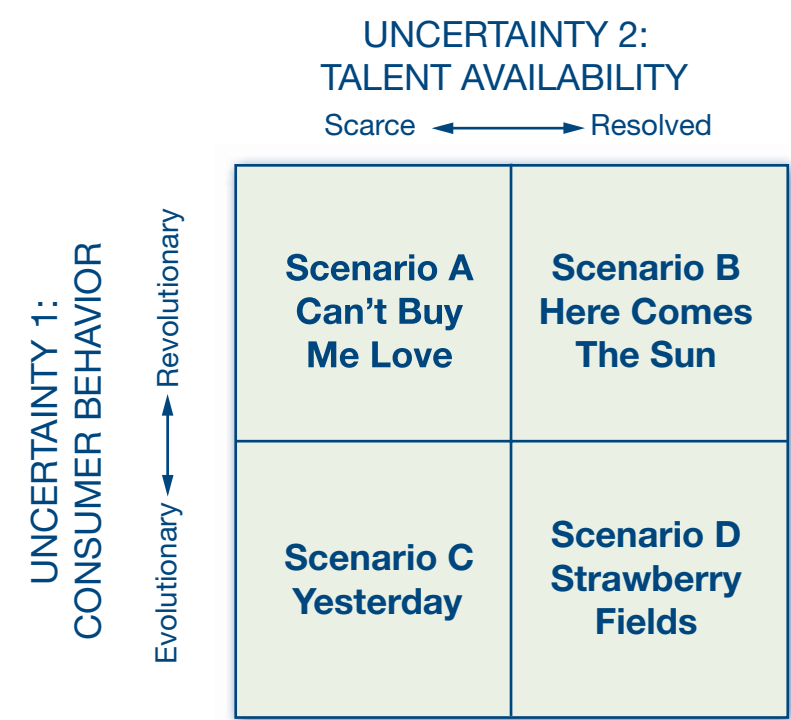
will explore, each scenario plays out in considerably more complex ways. And each one anticipates a very different role for aging services providers.

Scenario A– “Can’t Buy Me Love”

With proactive consumers dominating “Can’t Buy Me Love,” Americans have adopted an open and accepting attitude toward the aging population, with AARP continuing to gain momentum as one of the strongest lobbying groups in the country. At the same time, however, talent remains scarce for the aging services sector.

Although law enforcement remains a global issue, the American economy has remained relatively robust on the strength of scientific and technological innovation and

Figure 8 ■ 2006–2016 Scenario Design 2 x 2 Matrix



relative peace and prosperity at home and abroad. As a result, plentiful opportunities have emerged in other, more profitable sectors. Younger generations, in particular, seek to profit from business expansion and a host of jobs in urban planning and development, information technology, and professional and unskilled services.

These jobs and opportunities have clustered in urban areas, where multi-tiered institutions can both achieve economies of scale and provide training and education for an increasingly service-oriented marketplace. As a consequence, Americans have begun to move away from urban “splatter” communities and back into urban and suburban areas, where funding has coalesced to provide services to both young and old.

Although strong funding, medical breakthroughs, and outcome-oriented regulations have provided opportunities to enhance aging services indirectly, ongoing talent scarcity has also stimulated a high demand for information technologies in the aging services sector, particularly for “virtual” care-givers. In this environment, the most successful aging services providers focus on agility, diversity, and culture change. They also take steps to beef up their IT arsenals, partner with non-traditional players, lobby for national health information technology (HIT), and develop robust recruitment and retention strategies.

Scenario B– “Here Comes the Sun”

In “Here Comes the Sun,” proactive consumers have helped to resolve the talent crisis in aging services by promoting geriatrics as an important profession and by providing services as volunteers. With adequate funding in place, and truly revolutionary medical breakthroughs promising to increase the quality of life for the aging, the health-care sector has become largely self-regulating and flexible in an environment dominated by balanced and self-monitoring information technologies. Moreover, with peace and prosperity at home and abroad, Americans have embraced diversity and harmony as never before. Baby Boomers have finally put ageism out to pasture, and there is widespread celebration of and respect for the nation’s elders. The aging population has become highly mobile and urban.

With their general optimism about the future and live-and-let-live attitudes, American consumers have also helped to stabilize both the United States’ economy and the globe’s geo-political environment. As a result, most successful aging services providers know they need multiple levels of expertise to achieve economies of scale. They also focus on life-long learning and the creation of a universal worker culture. Additionally, with technologies facilitating increased person-centered care, aging service providers have accelerated their home care and services build-out

plans, and have developed those all-important community-based partnerships that help them to leverage the power that consumer groups have gained over all sectors of business and government.

Scenario C–“Yesterday”

In “Yesterday,” with talent scarce, funding minimal, and consumers uninterested in challenging the troubles they face, the status quo has prevailed. Bumping along in an unsettled world, the American economy has failed to gather momentum. Moreover, with government priorities focused on external threats, medical breakthroughs have remained incremental while regulators have become overly involved in the health-care sector. As a result, information technology has barely crept forward, and the larger population has adopted an uneasy attitude that blends a sense of entitlement with an unwillingness to do much about the country’s dilemmas.

Importantly, the gulf between haves and have nots has widened considerably, making it extremely difficult for aging service providers, particularly those serving the middle-class and the poor, to stay afloat. Those who remain have had to exercise patience, knowing full well that an impending crisis will create new opportunities for those willing to lead the charge. Engaging in development with technology companies, continuing to advocate for those who need them most, and

identifying additional levels of care that satisfy high concentrations of aging individuals, several innovators have paved the way for a different sort of future in aging and aging services.

Scenario D– “Strawberry Fields”

In the “Strawberry Fields” scenario, the aging services sector has resolved its talent issues, but contented American consumers have overwhelmingly slipped into mere acceptance. Wearied of conflict, and now enjoying a stable economy, global peace, and adequate funding for health care, most Americans focus their energies on the small pleasures of life, including close proximity to family and friends, periodic advances in the technologies that reduce life’s hassles, and sporadic news about improved treatments for chronic illnesses. Despite the fact that medical breakthroughs have been

slow to advance, and that the bureaucratic status quo continues to regulate the aging services sector, investments in information technologies have resulted in the expansion of telemedicine systems and the integration of technology into all aspects of life.

In this “feel good” environment, where consumers assume that the universe will take care of itself, America’s affluent aging population has returned to the coast, where retirees sip drinks and relax by the beach. Those of lesser means remain in their communities...volunteering. Of course, savvy aging services providers know that this scenario cannot last, given the forces and trends at play. As a result, several sagacious leaders have begun to look beyond the horizon, developing strategies to lull others out of complacency, and to motivate their staff for innovation, including a

greater focus on consumer needs, wants, and desires.

Whether the four possible worlds depicted in the pages that follow come to pass, either in whole, in part, or at all, will depend upon many uncertainties, including those centered on the state of the global (and American) economy and the larger geo-political environment Americans confront. Although some people deem such uncertainties annoying, as thorny issues that simply stall getting down to the business of meeting milestones already set, we believe they present opportunities for organizations ready, willing, and able to benefit from them. As you read through each detailed scenario, try to envision how you and your organization might respond to meet the challenges presented.



Scenario A: “Can’t Buy Me Love”

Scenario Blueprint

U1: Consumer Behavior	Revolutionary
U2: Talent Availability	Scarce
U3: Funding Availability	Strong
U4: Medical Breakthroughs	Strong
U5: Regulatory Stance	Outcome-Oriented
U6: Information Technology	In High Demand
U7: American Cultural Values	Open and Accepting
U8: American Economy	Strong
U9: Geo-Political Environment	General Conflict Abroad
U10: Demographic (Location of Aging)	Suburban and Urban Revitalization

Snapshot (The World at 2016)

Emboldened by a strong economy, innovations in medicine and information technology, and the political muscle that builds from strength in numbers, Baby Boomers dominate the American cultural landscape. AARP has emerged as the strongest lobbying group in the country. Despite continuing ideological differences, over-60 age groups have found common ground on at least one issue: as wise and important Americans, they believe they should have what they want, and they willingly fight for an environment friendly to aging consumers and workers.

Over the past several years, Americans have witnessed growth in retirement savings, steadily improving equities markets, a real estate boom, and the adoption of alternative energy sources that have engendered less dependence on foreign oil. Declaring themselves responsible



for these good tidings, and now dominating the halls of Congress, Baby Boomers no longer tolerate one-size-fits-all systems. As a result, they have passed legislation that has translated into an array of individualized solutions to the problems attended by aging. They have demanded and won micro-segmentation in the aging services sector, where best-of-breed now drives the expansion of network, platform, and systems integration. Moreover, with government spending continuing to focus on national security over the past decade, Baby Boomers have pursued funding for medical research and a national health information technology (HIT) system. When the government cannot assist them, they turn to philanthropic Boomers who willingly finance the infrastructure seniors crave. This sometimes involves off-shoring parents and other family members to countries offering better human and financial returns than those found on American soil.

In the meantime, although Congress authorized major draw-downs of military troops in the Middle East following comprehensive peace accords in 2008, terrorist activities still loom as a pressing law enforcement problem for the United States, while peace-keeping missions remain a priority to protect American interests around the globe. Thus, the federal government continues to pump money into national security to protect borders, transportation systems, and investments at home

and abroad, and has significantly increased immigration restrictions.

Such restrictions have not only created job opportunities for both young and older Americans with professional skills; they have also emboldened blue-collar workers to reach for a larger slice of the American pie. But immigration policies have also created a free-wheeling environment distinguished by an attitude centered on “every person for him/herself.” As a result, not-for-profits have had a difficult time attracting talent, particularly in health care, where those in the for-profit sector have a competitive advantage.

At the same time, competition from the hospitality-resort sector has made life extremely difficult for traditional long-term care organizations, prompting nursing homes to shrink in some locations and to disappear altogether in others. In their place, small congregate settings have popped up in every major American city, supported by Boomer-funded medical research incubators, information technology networks, senior-friendly housing developments, and in-home services.

Highlights

- New medications increase life spans and quality, emboldening Baby Boomers to fight for and get more of what they want to stay healthy, active, and influential.
- With more people living longer with chronic conditions, demand increases for at-home services,

remote monitoring technologies, “smart” appliances, and customized aisles, ramps, and lanes to support mechanized and electronic mobility devices such as scooters and wheelchairs.

- A strong economy and restrictive immigration policies result in available income for seniors but a very tight labor market.
- Public and private funds flow into entrepreneurial start-ups focused on experimentation in home and community-based services, information technology, medical research, and urban planning and development.
- Baby Boomers’ increasing demands and political clout have begun to alienate younger generations, but thus far no backlash has occurred.
- Talent for aging services remains scarce and expensive, driving demand for equipment, information technology, and better segmentation to relieve some of the pressure.
- With fewer family care givers, a shortage of skilled and leadership talent, and plentiful resources to spend on care, the continuum of aging services has become more diverse, with the most robust aging service providers understanding and responding to all consumer sectors through niche products and services.
- The recent proliferation of varied products and services for the aging has begun to prompt discussions about the need for greater regulatory oversight.

Drivers (How We Got Here)

It's the Economy...

Driven by the expansion of emerging markets, particularly in China and India, the American economy has more than rebounded from the recession of 2007-2008; it has begun to soar on the largesse of graying philanthropists and social entrepreneurs who have focused their investments on the economic and cultural benefits of innovations in medicine, technology, and health-care financing. Consolidating their efforts in major cities across the country, investors have also revitalized urban areas by creating attractive senior-style communities that accommodate the various needs and desires of aging populations.

Leaving their urban-splatter communities behind, Baby Boomers and their parents have flocked to major metropolitan centers in droves, where they plan to take advantage of real estate investments, cultural opportunities, and the communities of service they felt they had lost by tethering themselves so far away from the centers of activities and care on which they increasingly depend. At the same time, although government has restricted the influx of immigrants, Americans have become more global in their work and consumer habits—traveling near and far for adventure, business, and education.

Thanks to Medical Breakthroughs, Boomers Remain Vital and Mobile

Although the government has played a vital role in orchestrating breakthroughs in urban development, medicine, and information technologies—through grants, tax breaks, and other means—the bulk of the funding for innovation has flowed from Baby Boomers realizing healthy returns on global investments. With cures for important diseases a reality or imminent, Boomers also express their interest in remaining vital and actively involved in business, work, and innovation.

Some people argue that Boomers have driven American culture farther down the road of “me-first” narcissism, yet few can argue that the aging cohort have let the world pass them by. Searching for more than housing solutions as they face wrinkles, gray hair, aches, and pains, Baby Boomers have transformed the entire experience of aging in the United States and around the globe.

With their parents getting older, Baby Boomers have fought for and won more aging-friendly communities. Boomers themselves have profited—socially and financially—from the kinds of “smart homes” developed as part of their overall push for choice and individualized solutions to their retirement needs.

Posterity also will remember the “Can’t Buy Me Love” generation for forcing the larger society to come

to terms with the global demographic shift. Indeed, even the Japanese, long ahead of the curve in terms of public transportation and consumer products geared toward older populations, have begun to employ the American, consumer-oriented model that focuses on “aging with grace,” in “a place called home,” on one’s own terms.

Terrorism and Border Control Become Law Enforcement Issues

With the signing of a Middle East peace accord in 2008, and the invention and discovery of alternative energy sources shortly thereafter, Americans no longer feel the need to police the entire world or conduct an all-out war on terrorism. As a result, the terrorist threat has become a law enforcement issue in the United States, with the government focused on protecting the border and restricting the number of immigrants allowed into the country each year.

Continuing the gridlock politics that have dominated Baby Boomer discussions since the 1960s, heated arguments have surfaced. On one side, many Baby Boomers argued that immigration restrictions violate human rights and the principles for which the country’s founders fought. On the other side, many contend that Americans live in a much more connected, but also more dangerous world, where they need to protect themselves against the vagaries of outside threats, including those involving their

economic right to employment. Following unending debate in the halls of Congress, the federal government's resources have thus continued to flow into national security, border protection, and immigrant restrictions.

In this era of relative peace and rebounding prosperity, bipartisan members of Congress have also managed to push through budgets that have included increased spending for health information technology, other infrastructure improvements, and the medical research that has allowed for the healthier, more productive lives the country's aging population now enjoys. With equities markets flourishing, the stock market climbing, and retirement savings steadily increasing, this new focus on creating communities for the aging has led to a more open and accepting attitude about aging in America.

Themes (The World We Live In)

Consumer Behavior: "It's All About Me"

Demanding more products and services to meet the desires of healthier yet aging populations, wired and Internet-savvy Baby Boomers have fulfilled their ambition to change the face of American culture. With their parents needing more long-term care, they launched an advocacy drive that forced a

fundamental rethinking about where and how people should retire.

As a competitive, expanding marketplace developed to meet the demand for improved facilities, entrepreneurs not only provided customized solutions with older Americans in mind, but also partnered with others to meet ongoing Boomer demand for cosmetic procedures, anti-aging drugs, customized fitness salons, on-line degree programs, and other products and services focused on remaining vital and productive. As more and more companies entered the competitive fray, advertisers switched their focus to the aging population on whom they have now come to depend to differentiate themselves from the pack.

Although younger Americans sometimes resent the preferential treatment older people now seem to enjoy at the expense of others, members of the X and Y generations find themselves outnumbered at cash registers, in voting booths, and on the job. As a result, they have grudgingly come to accept the cultural priorities of a graying population, including their parents' and grandparents' focus on individual choice, provider and familial accountability, and financial investments to improve quality of life.

The focus on individual choice has resulted in an exacting regulatory environment focused on outcomes. Still, with funding available for quality enhancements, successful service providers have found it relatively easy to meet stringent outcome standards and to

improve customer satisfaction.

Indeed, recent polls reveal that aging services' focus on safety, quality, and customization has reinvigorated the public's trust. Of course, this also means that organizations must hire talented listeners who promise to take calculated risks to provide different kinds of solutions to the challenges of aging—experimenting in technologies, housing developments, financial partnerships, job roles, and cultural realignment to maintain public support. And that sort of talent is hard to find these days, which has prompted many innovative care-provider organizations to invest in ideas, strategies, and developments that have not always worked, at least not at first.

With a strong economy at home and plentiful opportunities to innovate, consumers can afford to purchase the things they need and to demand or develop a variety of living arrangements for themselves, whether in self-contained, single- and multiple-person units to reflect their individuality, or in the communal environments that many aging Baby Boomers crave as part of a fond memory or a new adventure. For example, several entrepreneurial women started a successful chain of communal hotels targeting aging, single females. The communal chain not only provides housing options for elderly women with diverse financial resources, but also gives them a pass to move from one hotel room or location to another as circumstances demand or allow.

Moreover, each hotel provides flexible employment options for professional, skilled, and unskilled workers, offers a wealth of services geared toward the specific needs of single, divorced, and widowed women, and houses a community center for political advocacy.

Now poised to merge with Inter-Continental Hotels, the chain recently unveiled its “If You Don’t Like Our Politics, Start Your Own” advertising campaign, with Rosie the Riveter-type posters that have caught the attention of the media, other investors, and imitators alike. As a result, other hotel-style communities for aging Americans have sprung up from coast to coast.

Together, financial investments in the future of aging homes and services reflect both current and anticipated quality of life improvements, as well as the rebellious spirit of the Baby Boom generation still very much at work.

Consumer Finances: Investing in the Future of Aging

The strong economy and tight labor market have created plentiful opportunities for America’s aging population. With 401(k) plans flush, home equity high, and Medicare and Medicaid adequately funded, America’s aging consumers expect to continue to work longer than previous generations. They also seek ways to enhance their investment portfolios by locating opportunities in the future of aging and aging services. And they have found many

places to invest in firms working hard to make their lives more enjoyable in old age.

To make urban areas more attractive to graying populations, individual investors have also purchased specialty bonds aimed at improving infrastructure, particularly in public works focused on access for the disabled, green space, and the public transportation networks that can carry people to and from work and out to the wider world of culture and play, family and friends, shopping and travel adventure, and alternative health-care facilities.

Working with hotel chains and real estate developers to meet the new demand for affordable and connected urban housing, some entrepreneurs have focused on the construction of multi-purpose communities that contain different kinds of housing, work environments, outpatient clinics, massage and other therapy salons, exercise facilities, and a variety of retail outlets wired for instant access to drug, food, and other delivery systems, emergency responders, and critical care facilities. For those unable to leave home on a regular basis or at all, entrepreneurs have developed a host of accessible employment, service, and delivery channels.

Other investors have focused on medicine, funding research that has made increased longevity less worrisome. In particular, with electronic health cards and watches introduced in 2009, and an

Alzheimer’s pill widely available by 2010, aging Americans worry less about growing old without grace and within institutional settings. They also appear more nimble, and expend a great deal of their energies on housing improvements, preventive treatments, and health and wellness programs. This has forced many aging services providers to adopt more flexible strategies and to form partnerships that allow them to focus on customer satisfaction and a variety of consumer demands, financial constraints, and interests.

Using an improved information arsenal to develop in-home care coordination through a technology-for-the-consumer model, several innovative aging services providers have played a dominant role in assembling and spreading the information flow now blooming on public and private support for the national HIT system. In turn, HIT developments have provided seniors with even greater choice about where and how to live.

Employing easy-to-use gadgets that keep them abreast of the latest global developments and involved in pioneering technological solutions to their own problems and issues, seniors and young people alike have carved out new places for themselves, not only as consumers but also in careers that allow for flexible part- and full-time work in offices or remote locations. Employers, seeking to shave costs in a tight labor market, happily employ both new IT solutions and flexible working arrangements.

The State of the Field: In Flux

In this highly competitive environment, where the value of the aging experience drives business decisions, flux predominates in the health care and aging services sectors. New definitions of home and retirement have forced even the most successful organizations to accommodate the lifestyles of mobile, energized, powerful consumers. Indeed, with bricks and mortar becoming less prevalent, most traditional nursing homes have closed their doors. Moreover, with diabetes cured, life expectancy reaching 85 years, and HIT enhancing the flow of patient information, consumer-driven home care has become the dominant model.

Although the financial and funding environment is much more stable than 10 years ago, aging services providers must pay much higher wages to attract the talented staff members they need, including direct-care nurses, pharmacists, physicians, psychologists, and therapists, as well as case workers to meet ongoing demand. In addition, they seek myriad professionals tasked with monitoring long-term care, home health, and hospice services to meet regulatory standards, and policy and administrative staff to work on culture change and advocacy.

Aging services providers also find it difficult to attract entry level workers, given plentiful opportunities in urban construction, retail, and other industries. As a result, many not-for-profit providers have either

pursued technological solutions to their staffing needs, or substituted nursing assistants for nurses by focusing more of their energies on in-house training and education. At the same time, many aging services providers have also begun to partner with the retail sector on related business opportunities (including those focused on pharma- and cosmeceuticals), which sometimes bring them into conflict with the not-for-profit mission.

Overall, with the expansion of new housing models and increasingly vocal and active resident populations, increased collaboration has emerged between care givers and other service providers, including mortgage brokers, credit unions, other financial institutions, and travel agencies, to name a few. No matter the option pursued, organizations have learned that if they fail to listen to consumers and respond to their diverse needs, doors will close. On the other hand, with aging consumers able and anxious to spend their hard-earned savings on improved products and services, aging services providers have the opportunity to sell a host of products, from low-cost to up-scale alternatives.

Talent Availability: Scarce and Expensive

In this individualistic and competitive environment, talent exists, but it is in scarce supply and expensive to acquire. With the booming economy and a tight labor market, the best employment opportunities reside in urban areas

where planners, financiers, medical research facilities, IT solution providers, and skilled and unskilled services have clustered. As a result, both young and old have returned to the urban core, where multi-tiered institutions provide training and education for an increasingly service-oriented marketplace.

At major research institutions, programs in business, urban planning, and medical research and technology have captured the lion's share of talented undergraduates and graduates, not only reflecting past trends but also exposing a culture focused upon making money from the aging population's strategic vision for the future. At the same time, technical schools have attracted students anxious to profit from expanding opportunities in information technology, equipment monitoring and repair, and medical support services.

Unfortunately, the new focus on an aging America has not translated into improved enrollment in geriatric medicine, social work, and public administration programs. Young people, focused on their own version of "it's all about me," have little interest in serving their elders directly, and increasingly resent the "aging and ageism" courses they must take as part of their core curricula, declaring courses in "geriatric sensitivity" a waste of time and money. As a result, when AARP and other advocacy groups launch a valiant campaign to make geriatric training a high priority at medical schools, university administrators

announce that they cannot support programs that fail to attract the best and brightest students.

With immigration restrictions tightening, even the foreign market for nurses and other aging services workers has dried up for many American organizations. Older white women with traditional skills continue to dominate care giving, social work, and geriatric health care. These workers face low career ceilings given their age and lack of linguistic and diversity skills. Nursing and other health-care worker shortages thus continue unabated, while most not-for-profits find it exceedingly difficult to lure both skilled and unskilled workers. Competition from the resort-hospitality industry has exacerbated the situation, and AAHSA's members now deal with staffing shortages across the continuum of care. In particular, labor voids in health-care administration, customer service, facilities management, food and nutrition, nursing, social services, physical therapy, life resource counseling, patient care technician work, and clinical and medical assistance have moved beyond the crisis point.

Although staffing declines have created more open acceptance of diversity in the health-care profession as a whole, they have also necessitated the creation of technologies to solve problems, ease workloads, and shave the costs associated with either moving to revitalized urban and suburban locations or upgrading facilities to

reflect changing priorities. Failing to attract both educational stakeholders as well as workers, many aging services advocates and providers now employ enabling technologies that allow them to assist American seniors living in self-contained and single- or multiple-person units.

Although remote monitoring and supervision technologies have reduced the need for the kinds of 24-hour care requiring institutionalization, they have not kept pace with the demand for increased levels of care. Finding ways to balance the need for high-tech solutions with an expensive but necessary component of high-touch has therefore emerged as one of the most important challenges facing the aging services field. And everyone knows that future success depends on getting that balance right.

Headlines

- *New York Times* (January 1, 2008): "Peace No Longer Imminent: Comprehensive Middle East Agreements Signed As New Year Begins"
- *Wall Street Journal* (2008): "With Government E85 Fuel Mandate, Challenges Ahead for Oil Sector"
- *Business Week* (2009): "Button, Button, Who's Got the Button? Electronic Health Watches Introduced by Pfizer-Rolex"
- *New England Journal of Medicine* (2009): "Study Reveals Alzheimer's Pill Is Effective for 99% of the Population"
- *The Economist* (2011): "The Gates Leading to a Brighter Future in America: Melinda and Bill Announce Funding Support for Seattle's *Smart Homes for Seniors Development Corridor*"
- *San Francisco Chronicle* (2013): "Can't Buy Me Love? What Customized Communes Tell Us About American Seniors"
- *Wall Street Journal* (2014): "Chinese Successfully Launch Cold Fusion Power"
- *Rolling Stone* (2015): "Born to Be Wild and Gathering No Moss—Baby Boomers Announce Life Expectancy May Have Reached 85 but They're Bound for 104"

Strategic Imperatives (How We Live in This World)

To succeed in this world, organizations will need—among others—the following qualities:

Agility, Focus on Diversity, Culture Change

With the value of the experience driving this scenario, organizations will need to adapt quickly to changing customer demands, interests, and levels of satisfaction, all the while building retirement living models based upon greater choice and flexibility along the continuum of care. This will further require human resource capabilities focused on a "people first" model. Different

definitions of home and retirement will require constant accommodation to facilitate the lifestyles of mobile and global consumers. Organizations also will need strategies and training platforms to develop different models of service to attract diverse consumers as well as employees.

Inside this more predictable and stable financial environment, aging services providers find it increasingly possible to focus on changing the traditions of their organizational cultures to build the kinds of service-based housing that can emerge as a model of care.

An IT Arsenal

With bricks and mortar out, talent in short supply, a regulatory environment focused on outcomes, and nursing homes, Alzheimer's care centers, and other long-term care facilities closing their doors, successful aging services providers will need to build a sophisticated IT arsenal to improve outcomes and data analysis, attract fickle consumers, build housing wired for the Internet, and enable more home care connections and solutions.

Partnerships with Non-Traditional Players

With less government assistance, but with funding available for creative solutions to the problems that aging populations face, successful not-for-profits will need to think strategically about potential partnerships with non-traditional players. In collaborative efforts, not-for-profit

care providers might, for example, consider working with the retail sector to find better ways to attract aging consumers, with travel agencies to provide services for a mobile, global resident base, with GPS-tracking firms to service global travelers with dementia, with technology companies to develop and deploy information and other systems, with credit unions, banks, and other financial institutions to develop expertise in housing development and finance, and with for-profit builders to create vibrant and aging-friendly housing developments. Together, these partnerships might free up capital for larger leaps into affordable housing and services expansion.

Better Recruitment Strategies

With labor in short supply, successful organizations will need to provide incentives to lure talent, and to develop robust recruitment and retention strategies. Working with the National Institutes for Health and stakeholders in education, they will need to develop programs to make work in aging services “cool” (in much the same way that the National Science Foundation bolstered science education from K-12 and into universities).

Reorganizing and restructuring the human resources function, they may decide to create flatter organizations where people can brainstorm to create entrepreneurial solutions for a mobile, global, and technologically

savvy set of customers, dreaming up fun housing ideas to make aging “in a place called home” attractive to “hip” Baby Boomers. This will also require recruitment of talented communicators, people anxious to engage a feedback loop with consumers, vendors, and other members of the aging services community.

Aging services will need to focus on executive and management talent, reaching out to a much broader educational base of professionals focused on aging and ageism issues, and with dexterity to stimulate lifelong learning, creative work solutions, and compensation and benefits models to attract and retain staff searching for meaningful work in a flexible environment. Leaders will also lean toward a consumer-driven model, applying its filter to all existing and proposed programs and services.



Scenario B: “Here Comes the Sun”

Scenario Blueprint

U1: Consumer Behavior	Revolutionary
U2: Talent Availability	Resolved
U3: Funding Availability	Adequate
U4: Medical Breakthroughs	Revolutionary
U5: Regulatory Stance	Self-Regulated and Flexible
U6: Information Technology	Balanced and Self-Monitoring
U7: American Cultural Values	Harmonious Diversity
U8: American Economy	Balanced
U9: Geo-Political Environment	Stable
U10: Demographic (Location of Aging)	Mobile and Urban

Snapshot (The World at 2016)

Revolutionary medical breakthroughs, assistive technologies, adequate funding, and Quality First success have placed AAHSA members at the forefront of American society. As institutional thought leaders, the nation’s number one lifestyle brokers, and major players on the world stage, not-for-profit aging services providers work with partners to test and develop IT innovations to improve quality of service and medical research through balanced and self-monitoring systems.

Having made ageism a thing of the past by advocating for American cultural values based on harmonious diversity, AAHSA members also work with policy makers to introduce reforms that will lure the best talent to the United States and to aging services. Additionally, they work with universities and other partners to provide the training and education required for a nation focused on aging services and living well as a community of interested workers and volunteers. And they successfully promote funding

models to support a focus on lifestyle management. Importantly, the nation needs their lifestyle management skills, given the tugs of work and play.

With peace and prosperity at home and abroad, global mobility has reached new heights, while a strong and balanced American economy, combined with expanding expectations for long, healthy, and productive lives, has created a community for all seasons. As a result, over the past five years, plentiful opportunities have surfaced for young and old alike. With stem cells curing cancer, Alzheimer's, and other debilitating diseases, age 90 has become the new 70.

Empowered and engaged seniors have made younger and younger friends, teaming with them in lifelong learning projects that focus on keeping bodies healthy and minds alert. These sorts of collaborative efforts have transformed work and the aging services sector completely, resolving both talent and funding issues. Employers actively seek balanced workforces, engaging people with diverse talents and life experiences.

At universities, interdisciplinary "Whole-Life Management" programs now provide degrees of choice, with graduates infusing multiple endeavors with expertise in medicine, information technology, management, diversity training, and care-giving services that are both high-tech and high-touch.

Beyond work, older Americans

also volunteer their time to the aging services sector, knowing full well that their expertise and time commitment will pay long-term dividends. With Americans both young and old making aging services a top priority, elected officials know that voters expect them to craft budgets and legislation favoring medical research and aging projects in public institutions and the not-for-profit sector.

Appreciating the wisdom of their elders, young people now enjoy working, volunteering, and living with older friends and family members. As a result, communal living arrangements have popped up to reflect the "American for all seasons" trend.

In "Here Comes the Sun," improved longevity and stable conditions now make it possible for five generations to join forces to create new work and play environments where everyone profits, has fun, and genuinely feels committed to making the world a more humane place through public service.

Aging Americans work longer, some of them choosing to transition between multiple careers and leisure activities, but always involving themselves in the technological innovations that allow them to connect to the larger world and to monitor their own lives with the assistance of care providers located near and far.

In the wake of improved communications and medical monitoring technologies, Americans also talk more openly about putting

together end-of-life plans, arguing that when the time arrives, they will welcome death knowing that they have both provided for their families as well as improved the quality and diversity of American life for all ages.

Highlights

- Lifestyle management dominates American culture, business, and government, and AAHSA members have taken center stage at home and abroad as the go-to research and implementation experts.
- Following a number of natural disasters that exposed fundamental flaws in American social services policies, a truly national discussion about aging took place, one that now involves five generations of Americans and immigrants searching for solutions to long-term care.
- Refocused priorities have created a stable and balanced economy focused on medical and technological advances to improve the American infrastructure.
- Breakthroughs in medical science have finally removed historic, chronic barriers to successful aging, not only in the United States, but around the globe.
- Empowered and engaged seniors work longer and harder than their predecessors, but also look forward to the leisure time they spend with their younger family members and friends.

- With Whole-Life Management (WLM) the degree of choice at major American universities, the aging services sector has access to the best creative talent the globe has to offer.
- Mobile seniors—searching for the interesting employment and array of affordable and accessible services that urban centers provide—continue to “age” American cities.

Drivers (How We Got Here)

The Collapse of Medicare and Medicaid Prompts a National Discussion

An unhappy convergence of events—including the collapse of Medicare and Medicaid following in the wake of Hurricane Cleopatra’s destructive path—ultimately prompted a historical shift in American policies toward aging and the aging services sector, and has driven every aspect of “Here Comes the Sun.” When neither the Federal Emergency Management System (FEMA), nor state and local agencies could meet the crises attended by the destruction of communities throughout the Gulf Coast region during the summer of 2007, angry Americans finally snapped. Realizing that most middle-class (never mind poor) Americans would have insufficient resources for old age, consumers from all walks of life organized marches to protest the abysmal state of the nation.

Angry about the federal government’s systemic failure to protect troops in harm’s way across the globe as well as to save the thousands of school children, ordinary citizens, and especially the aging and disabled who lost their lives in Cleopatra’s revenge, Americans descended upon Washington, D.C., in unprecedented and breathtaking numbers. Over the fall and into the long months of winter, those numbers swelled as bad news continued to flow from the nation’s capital. But when members of Congress confessed that all negotiations had broken down, that they could find no way to save Medicare and Medicaid, outraged protesters from every age group, representing people from all ethnic, racial, socio-economic, and political backgrounds, turned to demands for radical change.

With Republicans and Democrats unable to solve their differences, a grass-roots movement formed to create the most powerful third wave since the Progressive Era: the coalition Party of the People (POP). Promising to cut military spending, to reduce America’s overseas presence (with the largest contingency from the Army Corps of Engineers), to balance the budget, to encourage immigration from every corner of the globe, and to include all voices no matter people’s ethnicity, gender, race, or especially age, POP swept the 2008 elections, not only achieving majorities in both the House and Senate, but taking the White House as well.

In the election’s aftermath, POP representatives immediately toured the country, taking its pulse and launching an embracing, nationwide discussion about the country’s changing demographic and the global need for lifestyle management, health-care reform, and a new focus on aging and the aging services sector. The POP embraced AAHSA’s national plan for financing long-term care as a sound solution focused on consumer direction and choice.

Tapping further into the energies of AAHSA’s membership, POP also pushed Quality First into the foreground of change. Importantly, with the Centers for Medicare and Medicaid Services out of business, POP America finally created a new nerve center for the coordination of the country’s universal health-care system, which now enjoys a sacred line in the budget.

In the meantime, with the nation focused on the need to fund education, particularly the medical schools and residency programs to train people in the long-term care sector, the aging services field has blossomed into a self-regulating and flexible system focused on quality outcomes, for all comers along the continuum of aging services. Such moves have accelerated the creation of seamless networks of care and service through the integration of state, community, and neighborhood initiatives.

In an environment where aging services providers address retail

branding, marketing, customer service, and patient care, it comes as no surprise that AAHSA's members have earned the public's trust. Moreover, with parents and friends sharing their quality experiences, and feeling as if they have a better understanding of the services they need and can now command, Americans both old and young know they can depend on the leadership of the not-for-profit sector.

Peace and Refocusing Stimulate Economic and Medical Breakthroughs

With a path to peace defined in 2007, and the nation fully refocused by the dawn of the new decade, Americans joined the rest of the globe in a cooperative venture to expand emerging and mature markets for innovations in lifestyle change and management, public transportation, wireless networks, medical advances, and assistive technologies. These priorities, and the tax incentives they provided, quickly shifted investments from traditional health care and into life enhancement services.

Re-energizing the world with the resurgence of 1960s-style activism, Americans have rediscovered communal living, not only for the aging alone, but for people from all age groups. California and Massachusetts have led the way, offering extensive support services that have made them role models for the aging society of tomorrow. At the same time, with free trade and

immigration agreements in place throughout large parts of the globe, talent has flowed into the life enhancement services sector. Every aging services employee, from director of residential life and care to groundskeeper, now enjoys unprecedented prestige in the American workforce. Importantly, turnover also remains light.

In this cooperative era, particular organizations matter less than the ongoing public awareness campaigns and medical breakthroughs that have made the long-term care field both valuable and profitable. With Alzheimer's and many cancers cured through revolutionary breakthroughs in stem cell research, chronic and acute-care facilities have merged their services to meet ongoing needs while also ensuring high-quality care in a self-regulated environment. At the same time, improvements in information technology have provided significant leaps in labor productivity across all service networks.

Educational Stakeholders Develop Innovative Programs

Educators have played no small role in driving positive change in American society. Moving quickly to reshape funding priorities, program offerings, and accreditation standards, interdisciplinary innovators in aging services and lifestyle management have created more and better tools to understand consumer preferences. Their programs have also drawn the most

talented undergraduate and graduate students.

At the same time, along with major pharmaceutical cooperatives and chronic disease research institutions, academic administrators have poured funding into research aimed at fighting major diseases and promoting preventive maintenance programs. Talented aging specialists from around the globe have also received assistance from major IT breakthroughs that encourage patients to self-monitor their health and progress.

People in this world do not just focus on high-tech solutions. Indeed, medical schools have made humanities skills—including communications, critical thinking, and training in compassion and empathy—top priorities in admissions criteria. Medical as well as non-medical schools have created incentives to pursue careers in geriatrics and long-term care.

With sane and humane care the centerpiece of the philosophies guiding education, public policy, and American cultural values, the elderly know that they can find trusted and caring medical professionals, skilled technicians, and service-oriented workers who will nurture a long-term relationship. And people in power realize that, if they want to keep their positions, they will need to make geriatric care the core component of all they propose.

Themes (The World We Live In)

Consumer Behavior: Proactive and Focused on Harmonious Diversity

Although Americans still like to profit financially from their contributions to the larger society, they have refocused their energies on activism to protect a better quality of life for all Americans no matter their demographic profile. In “Here Comes the Sun,” harmony matters, and Americans actively seek a mobile and urban environment that offers plenty of contact with diverse members of society.

With Medicare reimbursements disappearing, they have also had to rethink priorities. Most have decided that life is better when families and friends find ways to share resources so they can take care of their own aging members at home. Communes have surfaced as one way to achieve that end, but the increased proliferation of information loops connecting home to care and back to the home have made it possible for people with a variety of preferences to live in the sort of housing that allows them to blend their needs for connectivity with creative individualism.

With most single-family and multi-family housing now able to feed and receive vital signs, diagnostics, sensor data, health-care plans, and long-term life-span execution plans through

sophisticated button and patch technologies, most Americans no longer think about “nursing homes” and “aging” per se. Instead, they focus on multi-generational health and the infrastructures that keep them connected to their physicians and other care givers.

Consumer Finances: Improved Planning for Lifestyle Management

The national discussion on aging has changed consumer choices in fundamental ways. Most Americans have shifted their gaze away from living with debt as a consequence of the temptations of instant gratification. Although they continue to consume, and to support the economy through expanded purchases, they have also become more conscious of the need to plan for the far-off future. They appreciate, for example, the opportunity to invest at an early age in meeting their future long-term care needs, as designed by AAHSA’s financing plan.

As part of the national discussion, new opportunities have emerged for those with skills in financial planning, and most Americans now take advantage of the advice provided through their 401(k) plans. As a result, most Americans consume and save on lifestyle management, with most purchases devoted to creating smart homes for the future, enhancing skills for a longer work life, and investing in preventive health (including funds for alternative

therapies, rejuvenating vacations, and health club activities). These changes have created difficulties for companies and organizations focused on cosmetics and other beauty products and services, but they have also created abundant opportunities for those interested in providing products and services to a nation focused on aging in a healthy and balanced way.

The State of the Field: Ascendant

This is a great time for those who value the not-for-profit mission. Adequate funding has eliminated the scramble for scarce resources, finally allowing for the delivery of quality products across the continuum of aging services, and for resource allocation partnerships between clients and organizations. Positive visibility for aging has allowed service providers the flexibility they require to develop alternative programs to meet the changing needs of diverse audiences.

The availability and diversity of talent has made it possible to collaborate with industries, universities, and other educational partners to develop the kinds of training programs that make quality providers stand apart from the rest. Self-regulation has helped to eliminate inferior nursing homes while simultaneously allowing quality communities to receive the higher reimbursement they require for further innovation.

Looking ahead, most members of the aging services community

now feel confident that they will soon emerge as *the* model for leadership in the not-for-profit sector. The most optimistic even anticipate that their efforts will engender major changes in the for-profit environment as well.

Talent Availability: Available and Anxious to Serve

With the paradigm shift in American society—whereby the young see the old as a resource rather than as a burden, and where empowered consumers self-monitor rather than depend upon a top-down, care-giving model—aging services has emerged as one of the nation’s most attractive career sectors. Indeed, the grass-roots movement toward lifestyle management has also focused on the need for alternative work environments, given that technological advances have allowed increasing numbers of older Americans to remain in home settings for a longer period of time and that financial stability has enabled consumers to exercise maximum choice about their retirement alternatives. As a result, the aging services sector has pioneered new work schedules, including those focused on remote environments as well as the ability to enjoy part-time, multiple-task, and flexible working lives.

With the government supporting long-term care policies and reimbursement initiatives, and consumers continuing to focus on life-long learning, aging services has

emerged as a rewarding and potentially lucrative career option. Indeed, seven of the 10 top jobs listed in *Business Week’s* 2015 special issue on the “best careers for the future” focused on aging services: with annual giving associate and director of development topping the list, and other top jobs including multilingual case manager, clinical service provider, community living supervisor, director of residential care, RN home health case manager, and human resources development manager for the aging services field.

Among the gratifying changes in long-term care and lifestyle management, the accelerated pace of diversity, in every corner of the aging services sector, stands out as a real accomplishment. Young and old, from all socio-economic backgrounds and political persuasions, serve the field, either as not-for-profit “social” entrepreneurs, as professional, skilled, and unskilled workers, or as volunteers. Women no longer dominate as the nation’s care givers and geriatric workers; indeed, men have flocked to nursing, social work, and a variety of therapy specialties while women have made important inroads as physicians, surgeons, administrators, and executives.

With educational programs moving from K-12 development programs, through technical and community colleges and into the nation’s top research universities and think tanks, aging services has begun to attract the best talent among minority populations. In addition,

with “English-only” perceived as an archaic priority of a past era, aging services providers can now choose from a talent pool with diverse language and cultural skills. As a result, no one ethnic group dominates aging services, and the not-for-profit sector has the ability to import the best talent and practices from around the globe.

With plentiful and talented individuals to choose from, many aging services providers now focus much of their attention on staff development and career trajectory incentives, balancing high-touch services with self-monitoring technologies.

Headlines

- *Wall Street Journal* (2007): “Negotiated Settlement Offers Long-Lasting Stability; Investor Confidence Soars and Pentagon Announces Army Cut”
- *New York Times* (2007): “In the Midst of Peace, Chaos: Hurricane Cleopatra Devastates Gulf Coast; Once Again, FEMA Has Failed”
- *Global Citizen* (2008): “News from America—At the Height of the Protest Movement, POP Wins National Support in Landslide Victories from Coast to Coast”
- *New England Journal of Medicine* (2009): “Living an Active Life With Alzheimer’s—New Research Indicates that Alzheimer Vaccine Can Delay Onset by 30 Years”
- *Business Week* (2010): “Quality First—The AAHSA Difference”

- *Architectural Digest* (2011): “Baby Boomer Migration Revitalizes Urban Areas—Come Visit Some of the Smart Homes They Have Designed”
- *Wall Street Journal* (2012): “Stem Cell Research Pays Major Dividend: Cure for Alzheimer’s Found”
- *Technology Today* (2013): “Super Senior Chips Provide On-Demand Vital Statistics;” “Smart Belly Buttons Put an End to Incontinence”
- *New York Times* (2014): “Go Global, Young People, and Take Your Parents With You”
- *Over-That-Hill Beat* (2015): “Willard Scott to Host Birthday Party for 120-Year-Olds; None of You Younger Folk Allowed!”

Strategic Imperatives (How We Live in This World)

To succeed in this world, organizations will need—among others—the following qualities:

Multiple Levels of Expertise to Achieve Economies of Scale

Although opportunities abound, aging services providers will incur multiple costs to retool their products and services from health care to lifestyle enhancement and management. They will need to develop a deep understanding of consumer preferences and expertise

in property management if they hope to stay ahead of the competitive curve. They will require a major focus on IT development and deployment, but they will also have to become very good marketers, product developers, and communications experts who can focus on the economies of scale required to divest health facilities or transform them into residential ones.

In addition, aging services providers will need to focus their energies on talent—providing incentives to attract a diverse set of professionals, skilled workers, and laborers—to set themselves apart and to provide the kinds of products and services consumers crave and can command. Once recruited, that talent will expect ongoing career development; thus, the ability to retain both skilled and unskilled workers will depend on creating flexible and innovative work environments, opportunities to derive real satisfaction from the job, and compensation incentives tied to customer, family, and community satisfaction.

These challenges will also require the ability to partner with home builders and developers, and with a host of policy experts and urban planners. In all endeavors, competition promises to increase.

A Life-Long Learning Focus

With an increased national focus on education, Americans have become savvy about their retirement and

financial choices, and expect aging services providers to help them become better consumers of both. As part of this focus, organizations must create a universal worker culture so that they can easily facilitate redeployment of resources. At the same time, the human resources unit will require increased funding for workforce training, so that people can carry the not-for-profit mission into a variety of situations, providing concierge-like care and services no matter the setting. Importantly, aging services will shift from service providers to service brokers, which will mean that they also need to recruit more diverse staff members with social services rather than medical training.

In this competitive landscape with funding directed at training, infrastructure, and retooling for these new realities, reimbursement will need to reward quality service. As funds for labor become scarcer, they will also need to direct their dollars toward those who best utilize them. With self-regulation critical to success, this also requires a constant Quality First vigil.

Accelerate Home Care and Services Build-Out

An accelerated shift from institutions toward housing with services will require aging services providers to push the development of their IT support networks and continue to move away from championing more bricks and mortar and, instead, become advocates for more wireless connectivity. To ensure that all

consumers receive excellent care, AAHSA's public policy advocacy will remain critical.

Community Partnerships

With consumer groups gaining tremendous power over all sectors of government and business, the ability to initiate, monitor, and facilitate community partnerships will become an increasingly important skill. By tapping into the bottom-up, grass-roots movement taking hold over American society, successful

organizations must shift their provider philosophies from building-centered to community resource. Organizations will also require enlightened CEOs and board teams to achieve all of these goals, including a desire to build relationships with powerful, for-profit sector leaders, philanthropic institutions, and public charities, not only to create improved capabilities in housing with services, but also to enhance cost-benefit analyses and the bottom line.



Scenario C: “Yesterday”

Scenario Blueprint

U1: Consumer Behavior	Evolutionary
U2: Talent Availability	Scarce
U3: Funding Availability	Minimalist
U4: Medical Breakthroughs	Incremental
U5: Regulatory Stance	Over-Involved
U6: Information Technology	Creeping Forward
U7: American Cultural Values	Sense of Entitlement/“Me First!”
U8: American Economy	Unsettled
U9: Geo-Political Environment	Unsettled
U10: Demographic (Location of Aging)	A Few Haves; Many Have Nots

Snapshot (The World at 2016)

Most people who work in the aging services field wake up with splitting headaches these days, thinking it impossible for things to get worse; and then they do get worse by degrees while most of us do little more than wait for that aging Baby Boomer revolution that never seems to materialize. In part, this profound apathy has resulted from the fact that the elite have found ways to take care of themselves while simultaneously managing to frighten the rest of the population into a passive stupor. Although medical breakthroughs have failed to materialize, aging consumers who can pay for excellent long-term care receive it. Those who cannot, get none.

With external threats to the country ever-present, and Congress consumed by the country’s unending war on terrorism, national security concerns simply remain more important than domestic ones, particularly those focused

on public programs for the elderly. As a result, the vast majority of aging adults feel they have no choice but to look to their already over-burdened circle of family members and friends for support.

Finding some of what they seek in churches and social networks rather than in unions or the halls of government, most consumers react with varying degrees of indifference to the fact that more than 70% of the population now depends on a shrinking Medicare and Medicaid reimbursement system that forces the aging to accept substandard service, suffer exploitation, or chase after affordable services elsewhere. At the same time, arm-chair complainers have created a cynical culture of “me first” entitlement among Americans, further sapping the energies of those hopeful few who continue to advocate for change.

In such an environment—where terrorism drains resources, where social spending cuts prevail, and where elites seem to care little if at all about the substandard conditions that most Americans must endure—few find it surprising that advances in information technology barely creep along, that medical advances have stalled, and that both fraud and abuse charges as well as indictments continue to follow state regulatory directors and nursing home staff.

Few could have admitted it just 10 years ago, but more and more people have begun to share the view that the “American Century” really

ended in 2001, and that the country has simply limped along on the borrowed time that now seems so close to its end. In fact, during the special census of 2015, the United States recorded a historical first: out-migration surpassed immigration the previous year. While immigration restrictions have made it difficult for Americans to attract foreign talent, talented Americans have begun to seek opportunities elsewhere, in emerging or developing market societies such as Brazil, Russia, India, and China (the “BRIC”), as well as Vietnam and Nigeria. Beyond this shocking first, what has emerged as the real surprise, according to many, is that anyone remains employed in the American public service sector at all.

If these problems were not enough, last year Congress pulled the rug out from under public-spirited stalwarts by repealing all nonprofit tax exemptions. As a result, most now wonder if the American “dream” of a better life has a sustainable future.

Without leadership to defrost the current animosities and stalemates in Washington, D.C., investors, immigrants, and prognosticators have begun to vote with their feet, wagering on surer and safer bets in more stable parts of the globe—particularly in BRIC countries, where governments have focused on expanding their economies through green consumption, social entrepreneurship, and sustainable development.

Despite all this bad news, a small glimmer of hope has just emerged among an outraged little mob of elderly Americans refusing to do as they are told.

Highlights

- Terrorist threats continue to drain American resources despite the fact that no major attacks have taken place on American soil since September 2001.
- Deep political divisions and a growing cynicism prevail in the United States, creating the context for further devaluing of the elderly, rationing of care, and hostile dependency among those forced to live in substandard facilities.
- Economic stagnation has stalled innovation in both medicine and information technology in the United States.
- Predicted cures for chronic diseases have failed to materialize, and problems associated with dementia have become a critical problem for American families, friends, and others tasked with the burden of caring for the elderly.
- For the first time in American history, out-migration has surpassed immigration, further exacerbating already critical staffing shortages throughout the American economy in general and in health-care sectors in particular.

Drivers (How We Got Here)

“You Say You Want a Revolution, Well, You Know...”

Baby Boomers said they wanted to and would change the world—and now it appears that they have transformed everything, but little of it for the better. For the past decade, headlines have featured continuing troubles in the Middle East. Without missing a beat, Baby Boomers on both sides of the political divide have continued to bark on talk shows and to blame each other for what has happened on foreign soil. The same bitterly divided aging Boomers also continue to blame one another for the fact that global law enforcers persistently unearth terrorist cells in America’s backyard.

Although no major attacks have taken place since the Mumbai bombings of 2006, jittery Americans find themselves reaching not for solutions but for anti-depressants and illicit drugs. Of course, bitter Boomers blame each other for both of these phenomena as well. With plenty of blame to go around, but few doing much about it, the American people find themselves hopelessly mired in gridlock.

Since the Haves Already Have, Who Cares About The Rest?

Since most of the haves had already achieved what they wanted a decade ago, they have consistently shown a blatant disregard for the plight of

those who, through no fault of their own, could not save the money they would need for retirement, never mind a long old age without relief from chronic illness, cancer, and generally declining health. As a result, wealthy Boomers have become impervious to the frauds and abuses perpetrated against America’s most vulnerable elderly—the poor.

In a rare response to domestic crises and a particularly scandalous story about nursing home abuse, Congress actually authorized additional powers to regulators, who then flexed their muscle in an unending series of new mandates. Given limited resources, however, they also failed to enforce those new mandates.

Such abuses and lack of regulatory enforcement have further demoralized an already exhausted aging services workforce. Most remaining in the field now spend at least some part of their week scouring the want ads, itself a depressing activity for those who lack the skills and resources to move out of their neighborhoods, familiar regions, or even the country.

Making matters worse, innovations in information technology have moved at a snail’s pace in the United States, making it increasingly difficult to sort through the data required to meet outcomes assessments and budgets. Additionally, because promising medical breakthroughs never materialized, Boomers have alienated nearly everyone by blaming their

parents’ generation for allowing seniors with dementia to wander the streets aimlessly.

The Economic Slump Continues

In this depressing “Yesterday” scenario—where each news day brings fresh reports of tumbling stock prices, real-wage declines, and fizzling real estate prices—most Americans have come to expect a tanking American economy. With few interesting job prospects in the United States, younger Americans have begun to perceive that their generation may never recover from the economic realities currently plaguing the nation. Approaching life with an expanding cynic’s lexicon, these same young people must try to educate themselves in underfunded universities, where they daily encounter the bitter and aging Boomers they have grown to despise.

To stave off the worst, the Social Security Administration changed the retirement age to 70 during 2013. But this merely exposed the fact that Americans could no longer save the system. Within months, Congress had authorized the dismantling of the insurance program and fully privatized it. These changes seem to have come too little, too late.

Although world GNP has slowly risen since 2008, American GDP continues to fall. Entrepreneurship has flourished in emerging markets but falters in the United States. And despite attempts to curb inflation, control oil prices,

create jobs, and prime the pump in various ways, Americans have failed to save money. As a result, the American people find themselves on a collision course with the demographic tsunami heading their way.

Themes (The World We Live In)

Consumer Behavior: Passive Yet Hostile

Throughout the past decade, America's consumer voice has remained eerily silent. Cynical youth have turned away from the larger world and inward on themselves, spending their Social Security savings on trinkets and baubles, devoting untold hours to the Internet, and using whatever resources that remain to live in the here and now. Those with ambition have begun to off-shore themselves, taking jobs in the emerging market societies that now offer them the kinds of mobility immigrants to America once enjoyed. Baby Boomers have failed to rise up as well, and, in fact, have become the system they earlier vowed to change. They have come to accept gradual change.

On inheritances and a few good real estate turnovers, the wealthier sector has isolated itself from the rest of the country so it can get on with retirement without having to deal with the problems of the less fortunate. The shrinking middle class has looked to churches

and social networks to keep the wolves at bay. The poor have simply fallen through the cracks.

Resenting their poverty, their dependence, and the ways in which the larger nation has devalued their contributions to American society, people in the lower echelons of the political economy have started to gather momentum, evidenced by the recent appearance of 500 bedraggled nursing home residents attempting to crash the Gates Foundation gala celebrating the life and times of Warren Buffet. With transportation arranged by AAHSA's dwindling member organizations, coverage provided by a few media allies, and chants crafted and sung by themselves, the angry mob of seniors heading toward 90 years of age tell an unsuspecting world that they have endured quite enough. Perhaps, think some, there is still hope for the United States.

Consumer Finances: In the Dumpster

Even sporadic displays of courage provide evidence that the United States had prepared neither itself, nor its citizens, for the realities of an aging demographic. By ignoring the need for 401(k) advice, Americans now find themselves with insufficient retirement funds at the very time they face the prospects of unemployment, declining health-care reimbursement, and a host of expenditures related to managing chronic illnesses. As the housing market softened, then melted away, many Americans also struggled to

make mortgage payments on the one investment they thought would see them through hard times.

The State of the Field: In Rapid Decline

Minimalist funding, stringent regulations, and plummeting consumer savings had made it tough to stay afloat in aging services, but at least most long-term care providers could count on their not-for-profit status. In the wake of scandals that exposed the darker side of a beleaguered aging services sector, even that advantage went away.

As one bad experience followed another, and the focus on safety and quality seemed to all but disappear from long-term care facilities, beleaguered consumers walked away from traditional institutions, declaring that they perceived better chances for old-age survival in prayer and charity. As a result, long-term care facilities have closed by the thousands, AAHSA has suspended its Quality First initiative, and older persons face an increasingly bleak future. Sadly, more of the elderly simply live at home, often in squalor and without the care they need.

Talent Availability: Nowhere Found

Save for a few committed souls, and those with nowhere else to go, talent has all but vanished from the aging services sector. Young people with skills in care giving, social work, geriatric health care, and other specialties have flocked to emerging

market societies, where governments have provided financial incentives in the field of aging services.

In the United States, with unhappy residents, scarce resources, and few opportunities on the immediate horizon, even those who have remained in the profession understand why no one would want to serve as an aging services provider. As a result, many CEOs, board members, and professional staff have become disheartened and now wonder if they could even muster the energy to participate in a revolution, should one ever come. Others have simply decided to hunker down, doing yeomen's work below the regulatory radar in the hope that they might make life better for a few of the elderly people in their care.

In such an environment, surviving aging services providers have had to find ways to do more with less, not only in terms of financial resources but also with a less skilled workforce. Only the most committed advocates for change have remained in the profession, along with the recruiters who focus on those with few other employment options—the semi-skilled and unskilled. Without backgrounds in geriatrics, these employees struggle to do their best under extremely trying conditions. Moreover, they have created new challenges for the stalwart executives and human resources administrators who seek to recruit and retain responsible care givers. Without basic skills at the

ready, many of these employees need proactive and ongoing training, not only in geriatric care but often in communications skills as well.

But under-skilled employees also provide opportunities. Hailing largely from impoverished minority enclaves, they have the ability to create diversity within aging services, and to reach into larger communities interested in the plight of the indigent and underserved. Thus, although not-for-profit executives seem to direct a good deal of their energies toward finding ways to train unskilled laborers and to develop K-12 programs that can fill the gaps created by a shrinking pool of aging services knowledge workers, they also have a chance to learn about the needs of diverse populations and to develop niche markets.

A small cadre of committed social workers and teachers-turned-care-givers have come forward to assist some organizations in this endeavor. For the moment, however, not-for-profit leaders find it difficult to do more than impart at least some of their experience to the generation of workers who will follow, in the hope that a few will rise to the occasion should the culture-change movement ever gain traction. With limited funds to encourage their employees to improve their skills and levels of education, even this gesture surfaces as a daunting task.

Happily for the United States, a gathering storm of motivated seniors, employees, and industry

specialists believe they can overcome all current obstacles and create a new and more vibrant future as a result.

Headlines

- *Wall Street Journal* (2007): "1,000 Nursing Homes Close Due to Lack of Funds"
- *New York Times* (2008): "Wall Street Sells Ice Floes for the Elderly"
- *Chronicle of Higher Education* (2010): "Another National Hiring Freeze Looms—and Promises to Hurt the Next Generation"
- *New York Times* (2011): "Elderly Couple Fall Down and Never Get Up"
- *Global IT* (2012): "BRIC Calling! How Emerging Markets Have Changed the Face of Global Immigration"
- *Wall Street Journal* (2013): "Dutchman, 72, Wins 'Tour de France'"
- *The Economist* (2014): "The Incredible Shrinking Fund—Another State Regulatory Director Indicted for Fraud"
- *AARP On-Line* (2015): "Sen. Grassley Promises to Bury Unresponsive Nursing Home in More Paper"
- *New York Times* (2016): "Nursing Home Residents Take Over Administrative Offices; Demand Change"

Strategic Imperatives (How We Live in This World)

To succeed in this world, organizations will need—among others—the following qualities:

Patience, Creative Thinking, and Someone to Lead the Charge of the Light Brigade

Although some argue that the aging services sector is simply unsustainable today, this gloomy scenario also provides the opportunity to focus on what a real revolution would look like, for the United States simply cannot continue down its current path unless it has a mission to join the ranks of the world's most impoverished nations. Sometime soon, the demographic shift will force the issue.

Organizations that hope to succeed will need to find ways to band together to build partnerships with philanthropic institutions so that they can at least, for the moment, continue to serve the disadvantaged. With a little creative thinking, they can work on more than low-cost strategies to serve the masses. They can also build a ground-swell of support for the culture change that must come. Additionally, they can look for other niche opportunities where they have a chance to succeed and to lead—in

providing quality services that can help to regain the public's trust in aging services; in pressure groups seeking to force the necessary political discussion; and by partnering with powerful for-profit sector leaders and media allies who can help to publicize the future Americans face if they continue to focus on short-term rather than long-term goals.

Engage in Development with Technology Companies

With most elderly people choosing to stay at home, aging services providers need to find ways to reach them. As a result, despite scarce resources, they need to continue to collaborate with technology companies, whether at home or abroad. They need to think about low-cost ways to reposition themselves as clearinghouses for the future of aging services. Additionally, by banding together with technology companies and philanthropists, aging services providers can consolidate their efforts to expand opportunities and generate efficiencies.

When the Going Gets Tough, Get Going for Those Who Need You

Although few seem to be listening at the moment, low-income seniors still need advocates who will fight for their housing and service needs. Collaborative projects must therefore continue to rule among those who remain committed to the

philosophies that have bound association members together for decades. Those in the aging services sector who reach out to educators and other social service providers also have the chance to change the educational paradigm, to develop materials to revitalize undergraduates and graduates seeking something more meaningful than the latest technological gadget or thrill. And perhaps it would help to involve that diverse set of workers as well as those elderly gate-crashers currently making headlines.

Identify Additional Levels of Care That Satisfy High Concentrations of Aging Individuals

As more and more seniors gravitate toward urban areas in search of large hospitals, better transportation networks, and communities of service providers, they will need housing and new models of care management. By developing partnerships with urban planners and city governments, aging services providers have the opportunity to promote initiatives that involve the integration of multiple services at the community level. Involving seniors as participants in model building may help to bring about positive change.



Scenario D: “Strawberry Fields”

Scenario Blueprint

U1: Consumer Behavior	Evolutionary
U2: Talent Availability	Resolved
U3: Funding Availability	Adequate
U4: Medical Breakthroughs	Slow to Advance
U5: Regulatory Stance	Bureaucratic/Status Quo
U6: Information Technology	Embedded
U7: American Cultural Values	“Don’t Worry; Be Happy”
U8: American Economy	Stable
U9: Geo-Political Environment	Negotiated Peace
U10: Demographic (Location of Aging)	Coastal Movement

Snapshot (The World at 2016)

General calm permeates both the international and domestic scene, and American seniors feel pretty good about the lives they lead. Although many had argued that they would age differently from their parents, most Baby Boomers have begun to join older family members in sunny, coastal areas where the living is easy, thanks to stable climatic, economic, and political conditions, reasonable returns on their real estate and stock market investments, adequate funding for affordable housing, the expansion of telemedicine systems, and the integration of technology into all aspects of life. Taking soothing swims in salt water, eating light and balanced meals, working part-time or as volunteers, and strolling the beaches of retirement communities stretching from the Atlantic coast, through the Gulf of Mexico, and across the scattered islands of the Caribbean, America’s aging population largely focuses on staying healthy as long as possible in a world with few major medical breakthroughs.



Thanks to the 2008 legislative mandate that required all companies to provide long-term care insurance, today's seniors worry less about outliving their resources in dependency. This allows them more time to enjoy the small pleasures life has to offer, including close proximity to family and friends, periodic advances in the technologies that reduce life's hassles, and sporadic news about improved treatments for chronic ailments. Many families supplement their support systems with home health aides, particularly those women who have arrived from the Caribbean and Africa to assist those who need additional care.

Although increasing numbers worry about loved ones with Alzheimer's, depression, and other debilitating diseases—and more than a few have also begun to suspect an increasing number of suicides among the elderly—most Americans prefer not to think of such things. Instead, they immerse themselves in retirement communities and adhere to the advice offered up on the Elderly Health Channel (EHC) which, among other things, reinforces positive images of nursing and long-term care by reporting on those institutions receiving honors for their Quality First, best-practices programs. Moreover, with many now participating in comprehensive elderly care programs, older persons know they will receive assistance with chronic care needs while simultaneously being able to maintain their independence for as long as possible.

In the meantime, negotiated peace has created the context for a stable and moderately growing economy and has ameliorated the staffing shortages that so long threatened the quality of aging services. With restrictions eased and open-borders legislation passed during 2010, immigrants from around the globe have descended upon the United States, seeking employment in a variety of sectors and bringing diversity, energy, and much-needed talent to many industries. With its positive image, aging services has attracted unprecedented numbers of these talented immigrants, with the most innovative among them hoping to join the culture-change movement they had heard about before their arrival.

Over the past several years, however, America's aging services sector has disappointed both new immigrants as well as talented Americans who had flocked to the field on the advice of their academic advisors. Although geriatrics has become a key growth industry, and robust business opportunities have prompted private corporations to make funding available for research and development, in such a passive and oddly chilling consumer environment, "old-school" nursing homes and home-care services not only survive, they flourish. As a result, few innovations have taken place, particularly in service delivery, and turnover rates have now become a problem everywhere along the continuum of care for the aging.

Highlights

- With Middle East peace treaties signed and terrorists on the run, international relations have improved.
- American consumers continue to perceive aging as a degenerative process, a taboo topic they would prefer to avoid.
- With the economy stable and improving, and long-term care insurance a reality, aging Americans have increasing confidence that they will not outlive their resources.
- Technology spurs efficiency and providers of aging services engage in incremental change, while old-style nursing home business models prevail.
- Record numbers of public-private partnerships have formed to expand the senior living field.
- Aging services providers report higher customer satisfaction despite continued regulatory oversight.
- Free trade agreements, open-borders legislation, and investments in medical training help to ease staffing shortages in all health-care sectors. Talented nurses, geriatric specialists, social workers, therapists, social entrepreneurs, IT specialists, medical researchers and technologists, and interdisciplinary educators, to name but a few, have flocked to the United States in the hope of working in the nation's aging services field.

Drivers (How We Got Here)

Global Peace Drives Stable Economic Growth and Consumer Passivity

After nearly a decade of terrorist attacks and threats, war in the Middle East, ongoing debate about American polarization, and an economic roller-coaster ride, Americans have declared themselves tired and are anxious to bask in the peace and quiet they have enjoyed over the past five years. Displaying their pleasure with the signing of the 2011 Middle East Peace Accord, native-born and immigrant Americans let out a collective sigh.

As markets began to rebound and housing prices rose once again, people from all ranks of American society also took stock of their lives. No longer fearing military drafts and the unending chant of gloom-and-doom, younger Americans have decided to get on with the business of working and saving for the future. On the other hand, Baby Boomers have decided that if the young want to push ahead, they can live with that.

With real estate prices still relatively low in coastal areas once devastated by hurricanes but now beginning to rebuild, calculating Boomers discerned that they could afford to retire to a smaller place on the beach if they sold their primary residences in established, and hence more expensive, areas of the country. And many of their aging parents,

already established in those same coastal communities, welcomed them with open arms. Moreover, legislators around the country heard their calls, and stepped up to assist.

Withdrawing troops from Iraq in 2008, Congress had already begun to ease immigration rules to address health-care labor shortages and to shore up Social Security. With the passage of open-borders legislation as well, Congress then signaled its intention to help those who wanted to retire earlier than planned.

To assist those in greatest need, elected officials promised to increase resources once the economy began to rebound. With that taking place in 2012 (conveniently preceding the election), members of Congress have fulfilled many of their campaign promises, increasing funding for Medicare and Medicaid, hospitals, nursing homes, and other geriatric services; spending more on public health education and the academic universe for aging services; providing resources for medical research and technological innovation; and offering incentives to companies working on ways to increase the efficiencies of long-term care. Although these funds have produced no major breakthroughs, and geriatricians have outpaced the number of pediatricians for the first time in history, a major pharmaceutical company has recently announced yet more relief for the aging population; researchers there think they have discovered a cure for Alzheimer's disease.

Aging Populations Cluster Along the Coastline And “Veg Out”

Relieved that the government had finally decided to take care of their parents, themselves, and their children, Baby Boomers turned on and dropped out in record numbers over the past few years—this time switching on their hearing aids so they could listen to “Strawberry Fields” and other favorite Beatles tunes, and leaving full-time work behind.

Retooling their lives to enjoy freedom from the melancholy that haunted them for the past decade, Baby Boomers and their parents have neither pushed for major advances in medicine, nor fought for radical change. As a result, the regulatory environment for aging services has remained status quo, and the aging services field has remained fairly traditional.

Moving to coastal areas, the new “silent majority” has announced, with a collective sigh, that they plan to work full-time only until age 65, and thereafter intend to do little more than work as part-timers if requiring pin money, or preferably as volunteers in the community or cultural organizations their parents now dominate.

Preferring to stay healthy and at home for as long as possible, most Baby Boomers perceive the coastal push as their last big move—to a place where they can help their parents cope with their declining years, where they can grow a little garden or involve themselves in

some fun activities, and where they can enjoy the company of the family members and friends who have greeted their arrival or now intend to migrate with them to climates farther south. The rest they plan to leave to the professionals—those care givers they know and trust, whether at their local clinics, in regional nursing homes, or as showcased on EHC.

Embedded Technology Spurs Innovation and Efficiency

Of course, deeply embedded technologies have made much of the Baby Boomers' coastal drive possible. Seeking efficiencies to lower costs, several prominent health-care providers and innovative firms have advanced patient care technology to match the needs of the American retirement population. EHC is just one example, but many more have joined the wave, where they have provided increasing opportunities for the immigrants who have flocked to the United States in search of opportunities in geriatric care. These people include the usual assortment of nurses and physicians, pharmacists and medical researchers, therapists, social workers, and policy specialists. But they also include talented individuals from the media and interdisciplinary educators with specialties in biology, telecommunications, aging, and ageism; information technology specialists anxious to develop assistive technologies and

monitoring systems; and a host of service-oriented workers who seek opportunities in coastal retail outlets, tourism, real estate, financial planning, and home health care and related services (including gardening, housekeeping, personal grooming, and alternative therapy treatments).

In addition, with philanthropists making HIT a reality, telemedicine has advanced beyond the earlier days of simple audio and video communication, web access, and data/image transfer. Doctors now use e-prescribing almost exclusively so they can devote more of their time to patient care. Private firms have developed user-friendly, voice-activated technologies that allow patients to gain instant access to diagnostics technicians and information specialists in a variety of health-care disciplines. Manufacturers have created watch-like interfaces and easy "click" devices that allow for constant monitoring of vital signs, medications, and reminders from doctors, pharmacists, friends, and family members.

Importantly, other innovators have created safe networks that comply with Health Insurance Portability and Accountability Act (HIPAA) regulations, making it much easier for patients to access their information without worrying about security breaches that would give unwanted access to hackers, scam artists, and less-than-ethical insurers.

Themes (The World We Live In)

Consumer Behavior: "Live and Let Live" Attitudes Reveal an Abrogation of AAHSA's Mission

American consumers, wearied of war and anxiety, wish to let someone else take care of them; however, this kind of passivity reveals how little those in the know have actually done for consumers over the past decade—*ceteris paribus*, by leaving it alone (through laissez-faire policies), demography has not reached equilibrium. As a result, AAHSA and its members find themselves forced to confront the reality that this sort of status quo should never have surfaced as a viable option.

Experts in the aging services field, politicians, and the media have allowed consumers to bury their heads in the sand, despite knowing that immigration would not solve the problem forever. They also know that America's young will have a very large bill to pay down the road unless someone does a little yelling. In this "Strawberry Fields" environment, innovation stalls because the aging services sector has allowed consumers to remain ignorant about the disasters that will befall them before too long. And 2025, the predicted year of the demographic tsunami, is just nine short years away.

Consumer Finances: Strained

Although some Baby Boomers and their parents have managed to do well in real estate, on promises that they can retire to the beach, the burden of continued economic recovery and expansion has fallen upon the young and the poor. While many now declare themselves ready for retirement, statistics demonstrate that the nation still has a negative savings rate, that more people actually live on credit than surveys allow, and that real wages have continued to drop over the past five years.

Some even predict that if Baby Boomers continue to age without medical advances improving quality of life for all Americans, financial advisors will arrive too late to save the country from its false sense of security. As a result, the outlook for successful aging looks bleaker by the day, despite the fact that the aging services sector currently enjoys a high degree of trust among the general public. Without an infusion of responsible leadership, that, too, will change.

The State of the Field: Stuck

At first blush, the aging services sector seems to have reached a zenith, particularly when one considers the successful ways in which not-for-profits built alliances with venture capitalists, entrepreneurs, and philanthropic organizations to invest in new technologies and business models

focused on wedding the Internet to remote geriatric care. But such high-tech solutions, and a culture of embedded home services, inadvertently lulled the aging services field into complacency. The business model that needed to change more than 10 years ago, to sustain the aging services profession and the nation, has not emerged.

Without the perceived need for regulatory reform of aging consumer advocacy, many organizations have downsized. In most cases, this has meant that aging services providers have laid off the last person to arrive, perhaps that talented immigrant who had hoped to participate in real change.

At the same time, because geriatrics has become a growth industry, not-for-profits now face greater competition from the private sector, often among stakeholders who see quick chances for profit but care little about the long-term consequences of providing adequate but, ultimately, mediocre care to the elderly. As a result, in most organizations, whether for-profit or not-for-profit, little self-regulation takes place, training and staff development lag, and few have the motivation to exceed the already lowered expectations of residents. This makes it extremely difficult to serve residents already depressed by degenerative disease, and suicide among the elderly has climbed to alarming levels while nobody seems either to know or care.

Survival in such a scenario will require real leadership among those

who continue to value the ultimate mission of not-for-profits—to act as a brake on the pure self-interest of laissez-faire economics by taking care of the larger society when no one else will.

Talent Availability: Available and Wedded to Embedded Technology

In such an environment, although talent is available, high turnover rates make it impossible to make much headway in giving the elderly a sense of continuity between one home health aide and another, or between one critical care nurse and the next. Everything seems to go smoothly for those who can afford the best possible care, and for those who require little assistance.

For the expanding majority, those who need longer-term care, a creeping but significant decline in the standard of care has taken place. This will only get worse over time unless and until some valiant aging services providers step in to reclaim the field from itself. Once done, innovative leaders will have plentiful talent to choose from, not only among American women, who have continued to dominate nursing and geriatric health care, but also beyond traditional boundaries, among a diverse set of Americans and immigrants who can infuse aging services with new linguistic and cultural skills, technological know-how, and a revitalized sense of social responsibility.

Already wedded to the technologies embedded throughout

American society, many talented individuals are already in place in the private sector—in the media, education, telecommunications, information technology, engineering, and a host of service-oriented fields devoted to the expanding business of geriatrics.

Among immigrants, many originally arrived to work in aging services especially, at the not-for-profits that had received acclaim as Quality First providers. These people not only understand but also want to respond to all consumer sectors. Thus, savvy and disciplined industry leaders have a real shot at luring them back to the not-for-profit world, to serve both niche and more general segments of the population. Of course, this will require looking beyond the horizon and into a more realistic vision for the future, with CEOs, board members, and management teams focusing upon segmentation, market research, psychographics, and innovation, as well as importing talent from consumer-driven industries, marketing, communications, and public relations.

Headlines

- *Wall Street Journal* (2007): “Cease-Fire in the Middle East”
- *Business Week* (2008): “Granny Rock-A-Thon Raises \$50 Million for Meals on Wheels”
- *The Economist* (2009): “Aging: The New Darling of the S&P 500”

- *Boston Globe* (2010): “Uncle Teddy Assures Home Care Services for Kennedy Clan and Others; Congress Passes Our Senior Senator’s Open-Borders Legislation”
- *New York Times* (2011): “Jesse Jackson, Al Sharpton Broker Middle East Peace Treaty;” “AARP Lowers Age of Enrollment to 45”
- *Miami Herald* (2012): “Turner Network Launches Elderly Health Channel”
- *New England Journal of Medicine* (2013): “Rural Elderly Deaths Linked to Depression”
- *Houston Chronicle* (2014): “Senior Communities Continue to Expand Throughout the South”
- *Wall Street Journal* (2015): “Merck Declares Cure for Alzheimer’s Imminent”
- *New York Times* (2016): “Going, Going, Gone—AARP Shrinks to Under One Million Members”

Strategic Imperatives (How We Live in This World)

To succeed in this world, organizations will need—among others—the following qualities:

Looking Beyond the Horizon With Leaders Capable of Waking Others Out of Complacency

Scenarios that appear rosy on the

surface can often threaten an industry more than those obviously destined for trouble, and “Strawberry Fields” has emerged as one with those harmful tints that people with peripheral vision skills can detect. As a result, some now know that it is not too late to plant the seeds of change, and that 2016 presents an excellent season in which to grow the movement for culture change. To do this, all institutions need to rethink their business models, given the wider array of services needed in the future to deal with changing demographics.

Experts in demographics and leaders in aging services also need to make alliances with active adult communities and with other leaders in education, politics, and the media—to get the word out and attract new blood to the field so that institutions can begin to retool their business models to make them more robust and more focused on consumers, clients, and future realities. This will not mean replacement of the institutional core, but rather greater movement away from it and toward telemedicine, the press, and a much larger community of motivators and innovators.

Motivation for Innovation

Consumers with low expectations and a regulatory status quo have created the context for poor behavior among providers of aging services. The challenge has now become how to differentiate what constitutes “quality” in this

environment. Organizations may need outside experts to help them shake things up, and new leaders and managers with expertise in team-building.

By starting a conversation, outside experts and staff can prompt critical questions about how to attract and retain the right people in order to improve quality, services, and business models, and about how the profession might go about pulling older workers and consumers into a larger discussion about the future of aging and aging services in the United States and the larger world.

Organizations may need an entirely new leadership structure as well, with people who understand how to partner with the private sector, including how such partnerships would influence their

501(C)(3) status. They also need to attract critical thinkers who can sketch out the linkages between technology and education in the field.

Greater Focus on Consumer Needs, Wants, and Desires

Sometimes consumers do not even know what they want or need, because they do not know the questions they need to ask. To involve them in the larger aging community, organizations will require better cultural awareness and competencies (including multi-lingual expertise), and more outside talent to help the aging services field create consumer-oriented, flexible programs that meet the needs of the future. Competitive pricing will emerge as a factor to attract both consumers and talent. But with more workers in the field, home and

community-based services will increase, providing opportunities to create an array of excellent career options.

Organizations will have to do more than think about high-touch. Beyond the need for more funding for training and retraining staff, institutions will need to increase funding for technology (for increased future competition will drive provider innovation). As “Strawberry Fields” dawned, traditional aging services providers sat in the driver’s seat. But that will inevitably change.



Conclusion— Are You Ready?

Will any of these scenarios play out in the ways examined in this report? We have no way of knowing. But we do know this. During 2002, AAHSA focused its organizational energy and resources on the development and implementation of Quality First, the covenant for healthy, affordable, and ethical aging services. We have continued to employ scenario planning as a check on our mission to achieve excellence in aging services and to earn the public's trust. We initiated a strategic focus on technology as an accelerator for the future of aging services and developed a plan for financing long-term care.

As part of an ongoing process, our members need to continue to discuss major issues and concerns facing the industry, including those centered on cost, financing, housing with services, workforce needs, and quality of care across the aging services continuum. We therefore encourage you to continue what we have begun, by participating in the conversation that will ultimately help us to:

1. **Evaluate** the major trends and uncertainties influencing AAHSA and its members.
2. **Determine** the key success factors that can further enhance the organizational competencies required to help all of us to succeed.
3. **Develop** business strategies to lead and to support our missions.
4. **Implement** a system for monitoring the trends, uncertainties, and outcomes and for enhancing our collective peripheral vision skills.



Scenario planning is just the first step in the strategic process. To implement successful strategies, we need to learn to live with and to embrace uncertainty, to design continuous planning processes, and to create a non-conformist culture that challenges current thinking inside and outside the association. While the scenarios we developed for this report embody a wide range of uncertainties, we also know that wild cards far outside these borders exist. For example, a wide-scale war or significant pandemic could dramatically change the environment beyond anything we have envisioned here. An unexpected natural disaster or unanticipated advances in technology and medicine could also lead us down very different and potentially unsettling paths.

Although a decade seems short, think back to some of the things that have changed drastically over the past decade. Just 10 years

ago, it was still possible to imagine a life without Internet access. That reality has changed beyond all recognition. Just six years ago, it was possible to visit the World Trade Center, to board a plane without having to remove your shoes or shift lotions from carry-on to the baggage hold. Of course, forces, trends, and weak signals all indicated the possibility for these sorts of changes, but as one sagacious observer remarked in the aftermath of 9/11, “We didn’t see the planes coming because we didn’t know we were supposed to be looking for them.” Yet they came anyway; and in ways few could predict, those planes changed everything.

The events on that day, and the ones that followed, continue to surprise many people; but for those who knew their history, who understood the forces, trends, and uncertainties that might play out in numerous ways, 9/11 shocked but did not surprise. Similarly, the

response to Hurricane Katrina shocked but did not surprise others. We can never know the future with absolute certainty, but we might find ourselves better prepared for the realities that await us if we condition ourselves to think about and to anticipate the possibility of multiple futures.

Ultimately, the scenarios that unfold between now and 2016 could reshape the way that Americans view aging and aging services. How those scenarios play out will depend on the ways in which we anticipate and prepare for the future. As our divergent worlds suggest, in some scenarios, the required skills could vary significantly. But such variations can also create opportunities for those who anticipate possible transformations and develop the skills and strategies to meet the challenges ahead, no matter what the future brings.

Are you ready?

Appendices

Appendix A Strategic Forces Survey, Focus Groups, AAHSA Membership Survey, Consumer Survey, Qualitative Interviews

Decision Strategies International (DSI) collected and generated a list of strategic forces influencing the aging and aging services. These forces were extrapolated from expert interviews, member and consumer surveys, input from state association boards, national focus groups, and an environmental scan. These strategic forces then formed the basis for a strategic forces survey, a method to obtain expert views on key trends and uncertainties affecting the future of the field. The next several pages represent the survey instrument and the basic survey findings. The survey was conducted and tracked entirely over a secure site. A total of 50 individuals replied. The results (shown in tabular and graphical format in this appendix) served as a reference point in constructing the four scenarios in this report. In addition, AAHSA conducted focus groups and surveyed members and consumers. The results are summarized.

	PREDICTABLE?					IMPACT?				
	How predictable is it whether this statement will be true by the year 2016?					How much of an impact would it be to aging services if the statement were indeed true by the year 2016?				
	VERY PREDICTABLE				VERY UNPREDICTABLE	HIGH IMPACT				LOW IMPACT
1. Aging Baby Boomers will redefine issues of care and launch a consumer revolution in care for the aging	5	4	3	2	1	5	4	3	2	1
2. Capital markets will fund entrepreneurial initiatives in health care and care for the aging	5	4	3	2	1	5	4	3	2	1
3. Caring for the aging will not be addressed as an integral part of the health care issue in this country	5	4	3	2	1	5	4	3	2	1
4. Through technology and flexible services, the center of care will move from the institution to the home in the next 10 years	5	4	3	2	1	5	4	3	2	1
5. Community-based services will not be able to address the needs of the large cohort of aging Baby Boomers	5	4	3	2	1	5	4	3	2	1
6. Consolidation in the industry will increase rapidly as new entrants enter the marketplace for care	5	4	3	2	1	5	4	3	2	1
7. A consumer-driven model will replace the current product /service driven model in services for the aging	5	4	3	2	1	5	4	3	2	1
8. Current management lacks the skills to lead a diverse workforce with complex work arrangement expectations	5	4	3	2	1	5	4	3	2	1
9. Demographic changes in the US will dramatically alter political and socio-cultural priorities making care of the elderly a priority	5	4	3	2	1	5	4	3	2	1
10. Externalities (catastrophes, terror, pandemic) will continue to surprise service providers and negatively impact the service community	5	4	3	2	1	5	4	3	2	1
11. Federal and state funding will be reduced by 30% as other needs become a priority (war, terror, pandemic, catastrophic event)	5	4	3	2	1	5	4	3	2	1
12. Genomic medicine will present breakthrough therapies for major chronic diseases in the next ten years (Alzheimer's, Parkinson's, etc.)	5	4	3	2	1	5	4	3	2	1
13. Geriatrics will lose practitioners and interests because of lawsuits and lack of funding	5	4	3	2	1	5	4	3	2	1
14. Health care and the aging market will offer great opportunities for business in the coming 20 years	5	4	3	2	1	5	4	3	2	1
15. Home diagnosis and other technologies will greatly improve the ability of individuals to remain independent	5	4	3	2	1	5	4	3	2	1
16. In five to seven years, the US will have national electronic health records and standardized norms for accessing data for all US medical patients	5	4	3	2	1	5	4	3	2	1

	PREDICTABLE?					IMPACT?				
	How predictable is it whether this statement will be true by the year 2016?					How much of an impact would it be to aging services if the statement were indeed true by the year 2016?				
	VERY PREDICTABLE				VERY UNPREDICTABLE	HIGH IMPACT				LOW IMPACT
17. Increased regulation will hamper innovation and the growth of new business models	5	4	3	2	1	5	4	3	2	1
18. Labor shortage will be mitigated by immigration and changing attitudes toward work (work longer with more flexibility)	5	4	3	2	1	5	4	3	2	1
19. Marketing, brand and prospecting will be the new dimensions of competition for services for the aging	5	4	3	2	1	5	4	3	2	1
20. The Massachusetts insurance model (mandatory) will be followed by another 15 states by 2015	5	4	3	2	1	5	4	3	2	1
21. Nonprofits will remain a vital link in the care providers chain both for charitable services as well as profit maximization	5	4	3	2	1	5	4	3	2	1
22. Poverty will be pervasive in the US reaching 35% of US population (near or below poverty line) over the next 10 years	5	4	3	2	1	5	4	3	2	1
23. Prevention will be the new focus of aging services rather than warehousing	5	4	3	2	1	5	4	3	2	1
24. Privatization of aging care leads to ever increasing chasm among social groups in the US	5	4	3	2	1	5	4	3	2	1
25. Qualified staff will be recruited from foreign countries	5	4	3	2	1	5	4	3	2	1
26. Regulatory burden/compliance will significantly grow by 15% in the next five to 10 years	5	4	3	2	1	5	4	3	2	1
27. Resource allocation in elder care becomes highly ineffective and focuses too much on final stage of life	5	4	3	2	1	5	4	3	2	1
28. Retirees will relocate to retirement communities abroad (i.e. Mexico, Central America, Asia)	5	4	3	2	1	5	4	3	2	1
29. The aging will seek treatment in countries with low-cost care providers	5	4	3	2	1	5	4	3	2	1
30. Retiring Baby Boomers will be able to flex their political muscle and dictate the political agenda over the next 15 years	5	4	3	2	1	5	4	3	2	1
31. Rich and poor are served by services for the aging while the middle class is void of any effective infrastructure	5	4	3	2	1	5	4	3	2	1
32. Risk management will remain poorly executed by nursing homes and other care providers	5	4	3	2	1	5	4	3	2	1
33. Scandals will continue to haunt the nursing home industry	5	4	3	2	1	5	4	3	2	1

	PREDICTABLE?					IMPACT?				
	How predictable is it whether this statement will be true by the year 2016?					How much of an impact would it be to aging services if the statement were indeed true by the year 2016?				
	VERY PREDICTABLE				VERY UNPREDICTABLE	HIGH IMPACT				LOW IMPACT
34. Standardization will be imposed on the industry in the next 10 years to assure comparability in services and goods across and among states	5	4	3	2	1	5	4	3	2	1
35. Technology will fail to resolve the key issues in the services for the aging industry (i.e. consumer interface, e-records)	5	4	3	2	1	5	4	3	2	1
36. Technology will enable self-organizing organizations to emerge to support and advocate services for the aging and their families (bloggers, virtual communities etc.)	5	4	3	2	1	5	4	3	2	1
37. The benefits of bioscience breakthroughs are overstated; breakthrough improvements will not occur within the next five to seven years	5	4	3	2	1	5	4	3	2	1
38. The entire American aging services infrastructure will be unprepared and unable to address the coming aging Baby Boomer cohort	5	4	3	2	1	5	4	3	2	1
39. The federal government will exit the care for the elderly as well as Medicaid and Medicare	5	4	3	2	1	5	4	3	2	1
40. The field of elder care will fail to attract students to pursue careers in geriatrics	5	4	3	2	1	5	4	3	2	1
41. The focus on cost containment will hamper innovation in the care of the aging	5	4	3	2	1	5	4	3	2	1
42. The growing bifurcation in society in haves and have nots will lead to the development of services for all incomes and needs	5	4	3	2	1	5	4	3	2	1
43. The insurance industry will fail to provide affordable products for most American households for long-term care and disability	5	4	3	2	1	5	4	3	2	1
44. There will be an extreme shortage of qualified and licensed staff by 2015	5	4	3	2	1	5	4	3	2	1
45. Labor unions will increase their strength over the next five years	5	4	3	2	1	5	4	3	2	1
46. Volunteer boards will continue to be the drivers of change at nonprofit organizations	5	4	3	2	1	5	4	3	2	1
47. Women and families will continue to gain influence in aging issues in the coming 20 years	5	4	3	2	1	5	4	3	2	1
48. Housing bubble bursts, threatening the retirement future of the Baby Boom generation	5	4	3	2	1	5	4	3	2	1
49. Changes in health-care arena fail to address a focus on affordable and effective services for the aging	5	4	3	2	1	5	4	3	2	1
50. Innovation lags in service for the aging as traditional frames and practices continue to stifle progress	5	4	3	2	1	5	4	3	2	1

AVERAGE PREDICTABILITY AND IMPACT

STATEMENT	Predictability	Impact
1. Aging Baby Boomers will redefine issues of care and launch a consumer revolution in care for the aging	4.58	4.48
2. Capital markets will fund entrepreneurial initiatives in health care and care for the aging	3.64	3.96
3. Caring for the aging will not be addressed as an integral part of the health care issue in this country	2.66	3.9
4. Through technology and flexible services, the center of care will move from the institution to the home in the next 10 years	3.9	4.26
5. Community-based services will not be able to address the needs of the large cohort of aging Baby Boomers	3.68	4.16
6. Consolidation in the industry will increase rapidly as new entrants enter the marketplace for care	3.38	3.56
7. A consumer-driven model will replace the current product/service driven model in services for the aging	4.2	4.3
8. Current management lacks the skills to lead a diverse workforce with complex work arrangement expectations	3.48	4.02
9. Demographic changes in the US will dramatically alter political and socio-cultural priorities, making care of the elderly a priority	3.4	3.98
10. Externalities (catastrophes, terror, pandemic) will continue to surprise service providers and negatively impact the service community	3.48	3.76
11. Federal and state funding will be reduced by 30% as other needs become a priority (war, terror, pandemic, catastrophic event)	3.5	4.56
12. Genomic medicine will present breakthrough therapies for major chronic diseases in the next 10 years (Alzheimer's, Parkinson's, etc.)	3.28	4.36
13. Geriatrics will lose practitioners and interests because of lawsuits and lack of funding	3.14	3.92
14. Health care and the aging market will offer great opportunities for business in the coming 20 years	4.34	4.16
15. Home diagnosis and other technologies will greatly improve the ability of individuals to remain independent	4.24	4.26
16. In five to seven years, the US will have national electronic health records and standardized norms for accessing data for all US medical patients	3.26	3.9
17. Increased regulation will hamper innovation and the growth of new business models	3.5	3.92
18. Labor shortage will be mitigated by immigration and changing attitudes toward work (work longer with more flexibility)	2.96	3.76
19. Marketing, brand and prospecting will be the new dimensions of competition for services for the aging	3.58	3.46
20. The Massachusetts insurance model (mandatory) will be followed by another 15 states by 2015	3.22	3.78
21. Nonprofits will remain a vital link in the care providers chain both for charitable services as well as profit maximization	3.92	3.84
22. Poverty will be pervasive in the US reaching 35% of US population (near or below poverty line) over the next 10 years	3.08	4.2
23. Prevention will be the new focus of aging services rather than warehousing	3.88	4.14
24. Privatization of aging care leads to ever-increasing chasm among social groups in the US	3.9	4.06
25. Qualified staff will be recruited from foreign countries	3.52	3.54
26. Regulatory burden/compliance will significantly grow by 15% in the next five to 10 years	3.3	3.96
27. Resource allocation in elder care becomes highly ineffective and focuses too much on final stage of life	2.96	3.72
28. Retirees will relocate to retirement communities abroad (i.e. Mexico, Central America, Asia)	2.38	2.8

STATEMENT	Predictability	Impact
29. The aging will seek treatment in countries with low-cost care providers	2.46	2.88
30. Retiring Baby Boomers will be able to flex their political muscle and dictate the political agenda over the next 15 years	3.96	4.1
31. Rich and poor are served by services for the aging while the middle class is void of any effective infrastructure	3.4	3.74
32. Risk management will remain poorly executed by nursing homes and other care providers	3.06	3.62
33. Scandals will continue to haunt the nursing home industry	3.5	3.74
34. Standardization will be imposed on the industry in the next 10 years to assure comparability in services and goods across and among states	2.76	3.58
35. Technology will fail to resolve the key issues in the services for the aging industry (i.e. consumer interface, e-records)	3.14	3.5
36. Technology will enable self-organizing organizations to emerge to support and advocate services for the aging and their families (bloggers, virtual communities, etc.)	3.46	3.5
37. The benefits of bioscience breakthroughs are overstated; breakthrough improvements will not occur within the next five to seven years	3.36	3.56
38. The entire American aging services infrastructure will be unprepared and unable to address the coming aging Baby Boomer cohort	3.58	4.34
39. The federal government will exit the care for the elderly as well as Medicaid and Medicare	1.88	4.12
40. The field of elder care will fail to attract students to pursue careers in geriatrics	3.32	4.24
41. The focus on cost containment will hamper innovation in the care of the aging	3.62	3.98
42. The growing bifurcation in society in haves and have nots will lead to the development of services for all incomes and needs	2.88	3.8
43. The insurance industry will fail to provide affordable products for most American households for long-term care and disability	3.74	3.78
44. There will be an extreme shortage of qualified and licensed staff by 2015	4.18	4.7
45. Labor unions will increase their strength over the next five years	2.94	3.62
46. Volunteer boards will continue to be the drivers of change at the nonprofit organizations	3.4	3.46
47. Women and families will continue to gain influence in the aging issues in the coming 20 years	4.06	3.78
48. Housing bubble bursts, threatening the retirement future of the Baby Boomer generation	3.24	3.82
49. Changes in health-care arena fail to address a focus on affordable and effective services for the aging	3.74	4.2
50. Innovation lags in service for the aging as traditional frames and practices continue to stifle progress	3.34	3.72
Average	3.43	3.89

AVERAGE PREDICTABILITY AND IMPACT

Strategic Forces, Ranked from Highest to Lowest Predictability

STATEMENT	Predictability	Impact
1. Aging Baby Boomers will redefine issues of care and launch a consumer revolution in care for the aging	4.58	4.48
14. Health care and the aging market will offer great opportunities for business in the coming 20 years	4.34	4.16
15. Home diagnosis and other technologies will greatly improve the ability of individuals to remain independent	4.24	4.26
7. A consumer-driven model will replace the current product/service driven model in services for the aging	4.2	4.3
44. There will be an extreme shortage of qualified and licensed staff by 2015	4.18	4.7
47. Women and families will continue to gain influence in aging issues in the coming 20 years	4.06	3.78
30. Retiring Baby Boomers will be able to flex their political muscle and dictate the political agenda over the next 15 years	3.96	4.1
21. Nonprofits will remain a vital link in the care providers chain both for charitable services as well as profit maximization	3.92	3.84
4. Through technology and flexible services, the center of care will move from the institution to the home in the next 10 years	3.9	4.26
24. Privatization of aging care leads to ever-increasing chasm among social groups in the US	3.9	4.06
23. Prevention will be the new focus of aging services rather than warehousing	3.88	4.14
43. The insurance industry will fail to provide affordable products for most American households for long-term care and disability	3.74	3.78
49. Changes in health-care arena fail to address a focus on affordable and effective services for the aging	3.74	4.2
5. Community-based services will not be able to address the needs of the large cohort of aging Baby Boomers	3.68	4.16
2. Capital markets will fund entrepreneurial initiatives in health care and care for the aging	3.64	3.96
41. The focus on cost containment will hamper innovation in the care of the aging	3.62	3.98
19. Marketing, brand and prospecting will be the new dimensions of competition for services for the aging	3.58	3.46
38. The entire American aging services infrastructure will be unprepared and unable to address the coming aging Baby Boomer cohort	3.58	4.34
25. Qualified staff will be recruited from foreign countries	3.52	3.54
11. Federal and state funding will be reduced by 30% as other needs become a priority (war, terror, pandemic, catastrophic event)	3.5	4.56
17. Increased regulation will hamper innovation and the growth of new business models	3.5	3.92
33. Scandals will continue to haunt the nursing home industry	3.5	3.74
8. Current management lacks the skills to lead a diverse workforce with complex work arrangement expectations	3.48	4.02
10. Externalities (catastrophes, terror, pandemic) will continue to surprise service providers and negatively impact the service community	3.48	3.76
36. Technology will enable self-organizing organizations to emerge to support and advocate services for the aging and their families (bloggers, virtual communities, etc.)	3.46	3.5
9. Demographic changes in the US will dramatically alter political and socio-cultural priorities, making care of the elderly a priority	3.4	3.98
31. Rich and poor are served by services for the aging while the middle class is void of any effective infrastructure	3.4	3.74

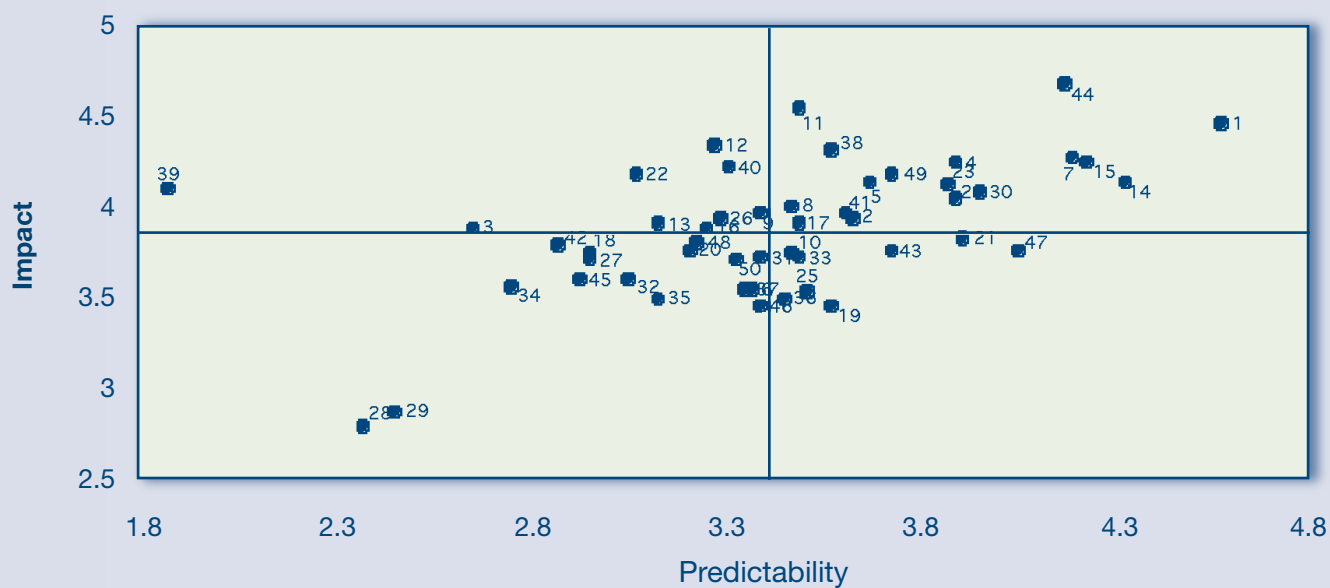
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46. Volunteer boards will continue to be the drivers of change at the nonprofit organizations	3.4	3.46
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40. The field of elder care will fail to attract students to pursue careers in geriatrics	3.32	4.24
26. Regulatory burden/compliance will significantly grow by 15% in the next five to 10 years	3.3	3.96
12. Genomic medicine will present breakthrough therapies for major chronic diseases in the next 10 years (Alzheimer's, Parkinson's, etc.)	3.28	4.36
16. In five to seven years, the US will have national electronic health records and standardized norms for accessing data for all US medical patients	3.26	3.9
48. Housing bubble bursts, threatening the retirement future of the Baby Boomer generation	3.24	3.82
20. The Massachusetts insurance model (mandatory) will be followed by another 15 states by 2015	3.22	3.78
13. Geriatrics will lose practitioners and interests because of lawsuits and lack of funding	3.14	3.92
35. Technology will fail to resolve the key issues in the services for the aging industry (i.e. consumer interface, e-records)	3.14	3.5
22. Poverty will be pervasive in the US reaching 35% of US population (near or below poverty line) over the next 10 years	3.08	4.2
32. Risk management will remain poorly executed by nursing homes and other care providers	3.06	3.62
18. Labor shortage will be mitigated by immigration and changing attitudes toward work (work longer with more flexibility)	2.96	3.76
27. Resource allocation in elder care becomes highly ineffective and focuses too much on final stage of life	2.96	3.72
45. Labor unions will increase their strength over the next five years	2.94	3.62
42. The growing bifurcation in society in haves and have nots will lead to the development of services for all incomes and needs	2.88	3.8
34. Standardization will be imposed on the industry in the next 10 years to assure comparability in services and goods across and among states	2.76	3.58
3. Caring for the aging will not be addressed as an integral part of the health care issue in this country	2.66	3.9
29. The aging will seek treatment in countries with low-cost care providers	2.46	2.88
28. Retirees will relocate to retirement communities abroad (i.e. Mexico, Central America, Asia)	2.38	2.8
39. The federal government will exit the care for the elderly as well as Medicaid and Medicare	1.88	4.12
Calculations	3.43	3.89

AVERAGE PREDICTABILITY AND IMPACT

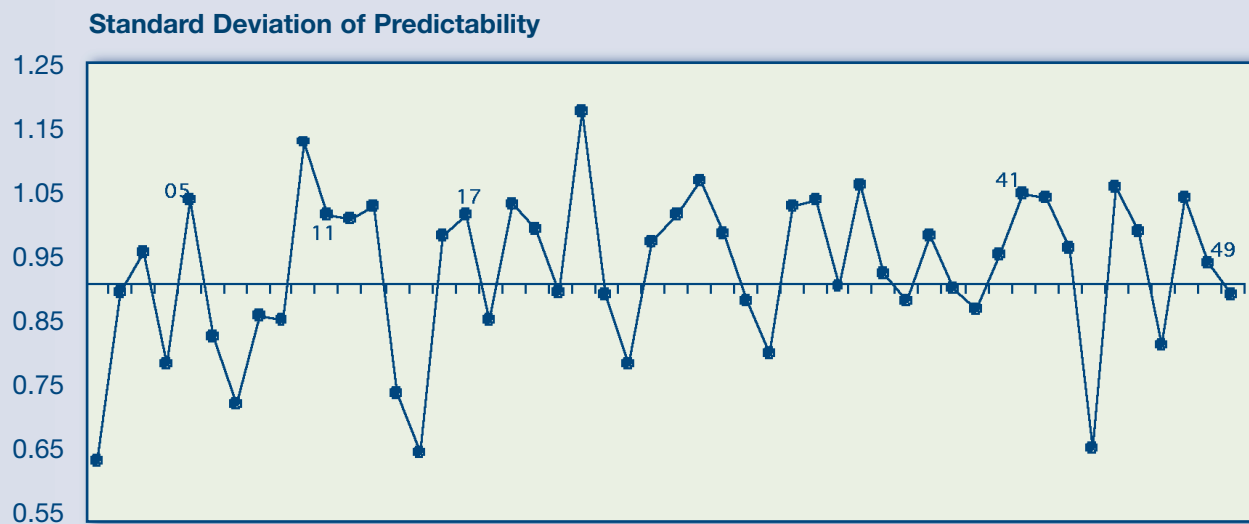
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Scatter plot showing the predictability and impact of each force.



Graph showing the standard deviations for the predictability of the forces.

Focus Groups

Focus Groups were conducted in three cities, moderated by Peter Hutchison, principal of Public Strategies, Inc., of Minneapolis, Minn. AAHSA members Kathryn Roberts, CEO of Ecumen, St. Paul, Minn.; James Emerson, CEO of Westminster Communities of Florida, Orlando, Fla., and Kevin Anderson, CEO of Wesley Homes, Des Moines, Wash., hosted groups of community leaders representing a diversity of ages, experience, and background. Participants in each of the three communities had a range of views on the impact of an aging society, the extent to which communities are prepared to meet their needs as they age, and expectations about their own aging process.

Themes emerging from the groups include the need for a strong sense of community as one ages, the lack of planning done on an individual basis for one's later years, and the sentiment that older persons should not be segregated by age but that neighborhoods need to mix the young and the old.

There was little expectation of ending work lives at or around 65. Participants expect to continue to work in some capacity well beyond age 70 or 75. Participants recognize that communities are not planned with the elderly in mind and are not anticipating their needs for transportation or proximity to services and amenities. There was an overriding concern that policy

makers at local, state, and federal levels are focusing scant attention on the burgeoning older population and a subsequent concern that we will be ill-prepared for this major societal shift. As one participant in Minnesota noted, "There need to be incentives for young people to volunteer to take care of the elderly, and for older people to give back to their communities."

AAHSA Membership Survey

In the spring and summer of 2006, AAHSA surveyed a random sample of members on a range of issues, from satisfaction with the association, to major areas of interest and concern, to the driving forces that will shape aging services in the next five to 10 years. In response, the concerns they expressed about the aging services sector and society as a whole included an overwhelming recognition that consumer behavior and attitudes are the most significant driving forces: need for choice, desire for independence, sheer numbers of consumers, and expectations that differ from those of the older consumers of today.

Another significant force centered on finances, in particular, reimbursement and affordable models of care and service. Following not far behind were workforce issues and the challenge of hiring qualified staff. The impact of technology was also acknowledged as a driving force over the next five to 10 years.

In the words of one AAHSA

member, "The biggest driving force that will shape the aging services industry in my opinion will be the baby boomers. More specifically, the driving force is the lack of funding for their needs in their later years. We have been dealing with and are used to dealing with the WW generations and the Depression generation, where saving was a priority and living a 'meager' lifestyle was the proper way of life. Now, we have a whole new generation coming that is used to having the best of the best, a 'me' generation where instant gratification is the standard. This generation defines themselves by the 'labels' they acquire, Gucci, Burberry, etc. This generation lives from paycheck to paycheck, and retirement accounts will not be able to sustain their demands. Our challenge is providing the utmost in service at lower costs."

In response to a question about the top concerns these providers and their boards anticipate in the next five to 10 years, financial issues (access to capital, maintaining affordability, reimbursement systems), issues around service mix and changes in delivery systems (whether focusing on culture change, shrinking or closing some services, understanding and developing other services,) and staffing were among those most commonly mentioned. Concern about an aging infrastructure (buildings and physical plant) was also a continuing theme.

Consumer Survey

Brooks Adams Research, a market research firm based in Richmond, Va., and an AAHSA business firm member, conducted a short survey of consumers, using a panel of individuals age 50 and over. The age distribution on the panel was as follows: 50-54 (30%), 55-59 (34%), 60-64 (20%), 65-69 (10%), 70-74 (5%) and 75 and older (2%). It was predominantly female (68%). Thirty-nine percent of panel members were retired, and 45% worked either full- or part-time.

When asked what they were most looking forward to in the next five years, the top three mentions were spending time with family, including grandchildren; having less stress; and having time for hobbies. Again, looking ahead to the next five years, the top three biggest concerns were running out of money; being unable to pay for the cost of health care, including prescription drugs; and becoming chronically ill.

To plan for their later years,

respondents most often noted that they were adopting a healthier lifestyle, saving or investing, executing a living will, and making new friends. They were least likely to indicate they were planning to sell and move, buy long-term care insurance, or to look for a new job.

One-third of respondents currently, or in the past, had caregiving responsibilities for a spouse or family member. When asked if that experience had affected them, 23% indicated it had changed their opinion of services for seniors; of those, 12% indicated their opinion had worsened while 7% indicated it had improved. A similar number of respondents indicated that their caregiving experience changed their opinion of their own old age, with 15% saying they felt less optimistic and only 5% indicating they felt more optimistic.

Panel members noted that the communities in which they currently reside are the least “senior friendly” in terms of the following two

attributes: the ability to walk to places and services, and the lack of public transportation. There was also considerable concern about the cost of living. Yet, they are engaged and expect to continue to remain engaged. Eighty-two percent vote, 43% donate money to causes, and 34% write to members of Congress, state legislators or governors. Looking ahead to the next 10 years, 54% expect to remain as engaged, and 27 % expect to become more engaged.

In summary, the panel paints a picture of fairly realistic consumers – neither optimistic nor pessimistic about their future. They are planning for some aspects of their old age but not others. They are very focused on finances – running out of money, the cost of living, the cost of health care, and the need to save. Fifty-three percent indicate that if they need health care services, they are not confident that they will be able to afford them.

Qualitative Interviews

DSI and AAHSA contacted various experts in the field to conduct qualitative interviews to collect potential forces affecting the future of aging and aging services. Some of these individuals include:

Anne Neale	Senior Research Scholar	Georgetown University Medical Center
David Horrocks	Senior Vice President and Chief Information Officer	Erickson Retirement Communities
Diana Aviv	President and CEO	Independent Sector
Diane E. Holland	Research Specialist	Mayo Clinic/Department of Nursing
Jerald Winakur	Private Geriatrician and Associate Faculty	University of Texas Health Science Center at San Antonio
Jim Clovis	President	InnOvis Associates, Inc.
Mach Schoneveld	President	SOTEL Systems Corp.
Mike Magee	Director and Host of “Health Politics”	Pfizer Medical Humanities Initiative
Nancy Register	Associate Director	Consumer Federation of America
Neville Strumph	Edith Clemmer Steinbright Professor in Gerontology and Director of the Center for Gerontologic Nursing Science	Nursing School at the University of Pennsylvania
Patricia Archbold	Program Director	John A. Hartford Center of Excellence in Geriatric Nursing
Paul Brown	National Consumer Advocate	US PIRG
Peter Goldberg	CEO and President	Alliance for Children and Families
Peter Kress	Vice President and Chief Information Officer	ACTS Retirement
Richard Sloan	Director of Communications	International Association of Machinists and Aerospace Workers
Thomas Fairchild	Gerontology Professor and Associate Vice President of Institutional Planning and Performance Improvement	University of North Texas Health Science Center
Todd Thibodeaux	Vice President for Market Research and Membership	Consumer Electronics Association
Rep. Lois Capps	D-California (23rd District)	

Appendix B

Aging and Aging Services

Global Aging and Socio-Economic Realities

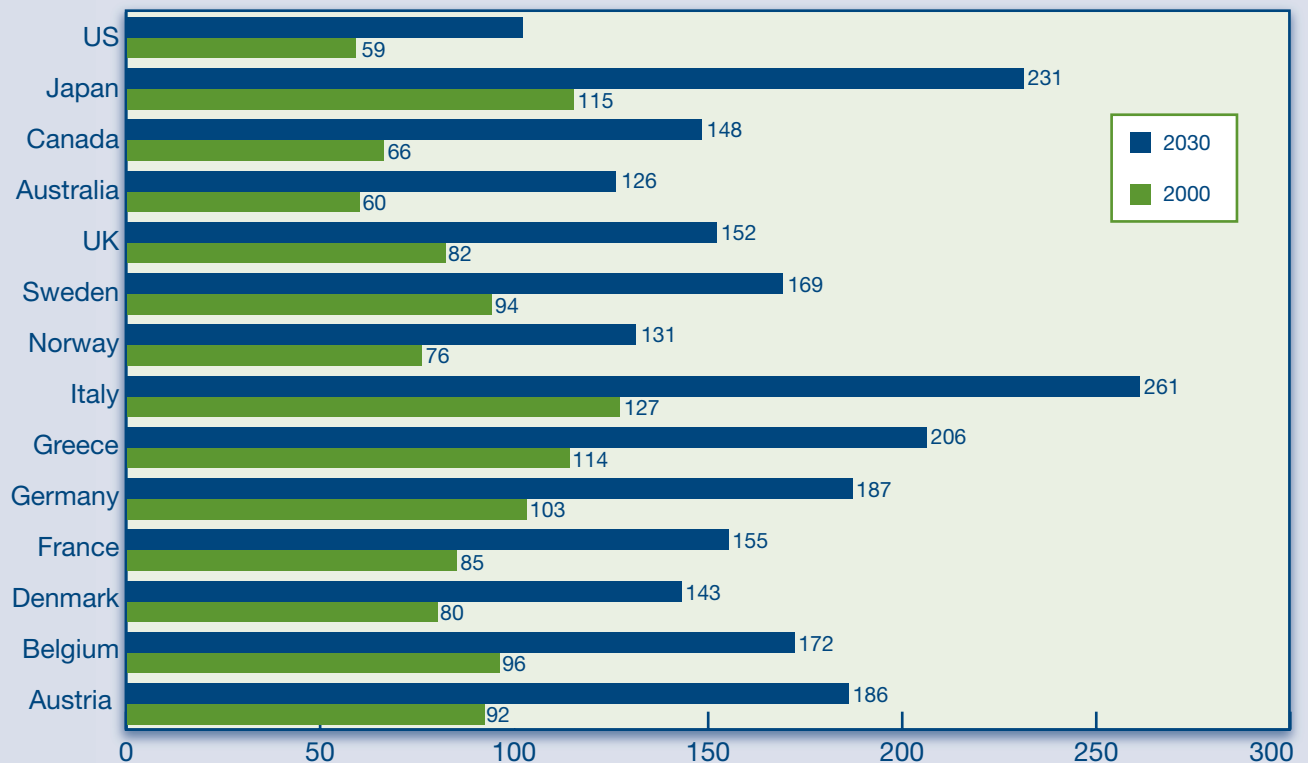
Americans, no matter their age, can no longer ignore the realities of living in a deeply connected and interdependent world. Demographic transformations will profoundly affect their lives as well as the health and socio-economic development of all regions of the globe. These realities will not only influence consumer behavior as more and different kinds of people seek and need care in the United States, but also will reshape the search for talented young service

providers to fill the void left by our own profession's aging and retiring populations.

While mature market societies have experienced population aging for well over a century, the process has started to take hold in less economically developed places as well, shifting the key challenges we face today and the ones that will emerge tomorrow. According to a United Nations' report on world population aging, nearly 80% of the expected 1.5 billion people aged 65 or older will reside in today's less

developed regions by 2050. Only 22% will inhabit more developed terrain. Still, that 22% of the total population in most mature market-oriented societies compares to barely 12-16% recorded in the census records for 2000. With the exception of Japan, European countries claim the world's 25 oldest populations, making the United States' elderly cohort (currently less than 13%) seem young by European and Japanese standards. But that, too, promises to change rapidly (as revealed in Figure 1).¹

Figure 1 ■ Aging Index: 2000 and 2030 (People Aged 65 and Over Per 100 People Aged 0-14)



¹ United Nations, *World Population Ageing*, op.cit., ff.

The aging index, defined as the number of people aged 65 and over per 100 youths under age 15, serves as an indicator of global age structure. Among 52 countries studied in 2000, only five—Germany, Greece, Italy, Bulgaria, and Japan—had more elderly than youth aged 0 to 14. By 2030, however, many countries, including the United States, have a projected aging index of at least 100, while Japan and several European countries will exceed 200.

Future aging indices will depend upon fertility rates and the degree to which younger immigrants from less well-developed regions flow into more developed ones, but global aging has become a reality and will continue to accelerate in the coming decades. Indeed, UN projections indicate that the population aged 60 plus, already at 629 million in 2002, will reach almost 2 billion by 2050 (climbing from current expansion of 2% per year to a projected 2.8% annually by 2025-2030), and will exceed that of children aged 0-14 for the first time in human history. At the same time, life expectancy has risen about 20 years since 1950, while women now constitute the majority of people aged 65 and older. Currently, the gender ratio stands at 81 older men for every 100 older women. Among the very oldest populations, women outnumber men 100 to 53. Although life expectancy remains higher and the ratio of men to women remains

lower in more developed regions of the globe, that gap will close in the coming decades.

Aging populations have the power to create monumental economic transformations as the burden on those still working increases over time. For example, between 1950 and 2000, the potential support ratio (PSR—the number of people aged 15-64 years for one older person 65 or greater) fell from 12 to nine people of working age for each person 65 or older. By 2050, the UN projects the PSR to fall to 4-1. Such trends also promise to tax families, given that the global parent support ratio (the number of people aged 85 or older dependent upon those aged 50 to 64) has climbed as well.

The inherent assumption that family members will take care of other family members has become a worrisome issue. As demographics change and support ratios fall, family members will simply have insufficient time and resources to do what many now expect them to do. During 1950, the global population supported fewer than two persons aged 85 or older for every 100 persons aged 50 to 64. By 2000, that ratio had increased to four per 100; the UN projects the number to reach 11 per 100 by 2050.

These facts have contributed to a number of changes already. Limited coverage of retirement schemes in developed regions and relatively smaller incomes in developing

economies have increased the level of worker participation among people aged 60 and over, and many countries with older populations have already pushed statutory retirement ages upward for men as well as women.

These changes have already begun to transform wealth distribution and living standards around the globe. According to a recent study in *The McKinsey Quarterly*, those steadily improving bank balances and living standards—both of which continued to rise in Western Europe, the United States, and Japan following the advent of British industrialization during the 1760s—could now stagnate as the world population ages. As median ages rise in those mature economies where the vast majority of the world's wealth now resides, older populations have started to save less and have begun to spend their accumulated assets, while younger generations continue to direct their earnings toward spending rather than frugality. Savings rates have fallen accordingly and, in some cases, quite dramatically.²

Already evident in Japan and Italy, falling savings rates have resulted in major declines in both countries' prime savers ratio (the number of households in their prime saving years divided by the number of elderly households), while Germany, the United Kingdom, and the United States either joined that declining trend by 2000 or have stabilized at very low

² Diana Farrell, Sacha Ghai, and Tim Shavers, "The Demographic Deficit: How Aging Will Reduce Global Wealth," *The McKinsey Quarterly* (March, 2005).

levels. This unprecedented confluence of demographic patterns will have significant ramifications for global savings, wealth accumulation, health-care and pension spending, and, of course, the profile of aging services providers.³

At the same time, fertility rates have exacerbated issues centered on aging. With births declining in developed regions of the world, the proportion of people aged 80 and above will more than double over the next two decades. Record keepers in nearly one-third of the globe's

countries—and in the vast majority of developed nations—report that the fertility rate has now reached, or fallen below, the level needed to maintain the current population. Increasing the pressure, global life expectancy has increased from 46 years in 1950 to over 66 years, thanks in no small measure to improvements in health care and living conditions.

These realities make the role of aging services providers all the more critical, not only when we consider the uncertainties of funding and

medical as well as technological advances, but also when we think about the general optimism about their own aging that continues to prevail among the American population, the less-than-rosy financial conditions of the average American consumer, the aging services' state of preparedness for the demographic tsunami heading our way, and the talent we will need to meet the challenges that lie just beyond the horizon.

³ United Nations, *World Population Ageing*, op.cit., ff.

Appendix C

Preparing for 2016: Key Current and Future Challenges

With 2012's visions of the future provoking important conversations, we decided to push more deeply into the consumer behavior and talent availability uncertainties we had begun to explore during 2002. We also knew that the next step would require the same disciplined imagination that had guided our first scenario development project, and that we would need to reconsider some of the key challenges facing Baby Boomers and their parents as well as those responsible for the welfare of both groups. With the assistance of industry experts and leaders, research analysts, survey participants, and providers of care across the continuum of aging services, we identified four key issues that not only required further research and elaboration, but that would also play into the four scenarios developed in this report.

The first issue centers on American attitudes toward aging and the elderly, along with Baby Boomer perceptions about how they will influence the future and how those perceptions sometimes collide with reality. Secondly, in light of Boomer optimism about that future, we needed a better appreciation of the financial conditions under which most American consumers are headed into retirement years (and, as it turns out, findings reveal a largely

under-prepared population). The third issue centers on the pressures that funding cuts have placed upon primary medical care providers in general, and the realities that not-for-profit aging services providers now face. And the fourth set of concerns focuses on talent, including the significant workforce supply and demand gaps that currently exist across the United States, and the ways in which those gaps affect acute, long-term, and primary care in the health-care provider sectors.

Key Challenge #1: American Attitudes Toward Aging and the Elderly

Eternal Optimists Continue to Focus on Youth

According to recent surveys by the National Council on Aging (NCOA) and the American Association of Retired Persons (AARP), American consumers remain highly optimistic about aging and retirement despite warning signs and bad news. Following closely on the heels of Australians and Canadians, and tying for third place with the Japanese, over two-thirds of Americans (68%) express optimism about retirement, while just three in 10 show disappointment or declare themselves pessimistic about what lies ahead (see Figure 2).⁴

In addition to general optimism

about the future, fully 90% of NCOA survey respondents currently believe that they will have at least partial control over the ways in which they age. As a result, more than four in five (or 84%) report that they currently involve themselves in some sort of activity or regime to stay active and healthy in anticipation of old age, including exercise and other physical activity (70%), a balanced diet (33%), weight control (10%), and a focus on maintaining a positive or youthful attitude (10%). Large majorities also believe that vitamins C and E help people stay mentally and physically active (71%), that one can still increase physical strength by lifting weights after the age of 80 (73%), that mental challenges (such as learning a new skill) can keep the brain healthy and active no matter what the age (97%), and that older people can still learn new tricks (96%).

Conversely, when thinking about living to a very old age, only 40% of all NCOA respondents say that they most worry about poor or declining health; and fewer still (a paltry 18%) most fear that they will have insufficient funds to support themselves during their long old age. Other commonly expressed concerns include losing one's mental faculties (13%), having to depend on others (12%), becoming a burden to one's

⁴ National Council on Aging (NCOA), *American Perceptions of Aging in the 21st Century: The NCOA's Continuing Study on the Myths and Realities of Aging* (Washington, D.C., 2002); and American Association of Retired Persons, *International Retirement Security Survey* (Washington, D.C., 2005), ff.

family (11%), being isolated or alone (9%), and living in a nursing home or “old age home” (8%).

Americans also perceive some very positive features of living beyond retirement and into a very old age. Many believe that they will have more time to spend with spouses and significant others, to travel, to exercise, and to pursue hobbies and other projects. Baby Boomers, in particular, project these perceptions and are willing to expend resources on healthier lifestyle choices in the hope that they can do more of what they look forward to doing in retirement (see Figure 3 at right).⁵

At the same time, however, the NCOA study reveals that relatively few Americans (just 28%) know that the sub-segment of very old adults, 85 and older, has become the fastest

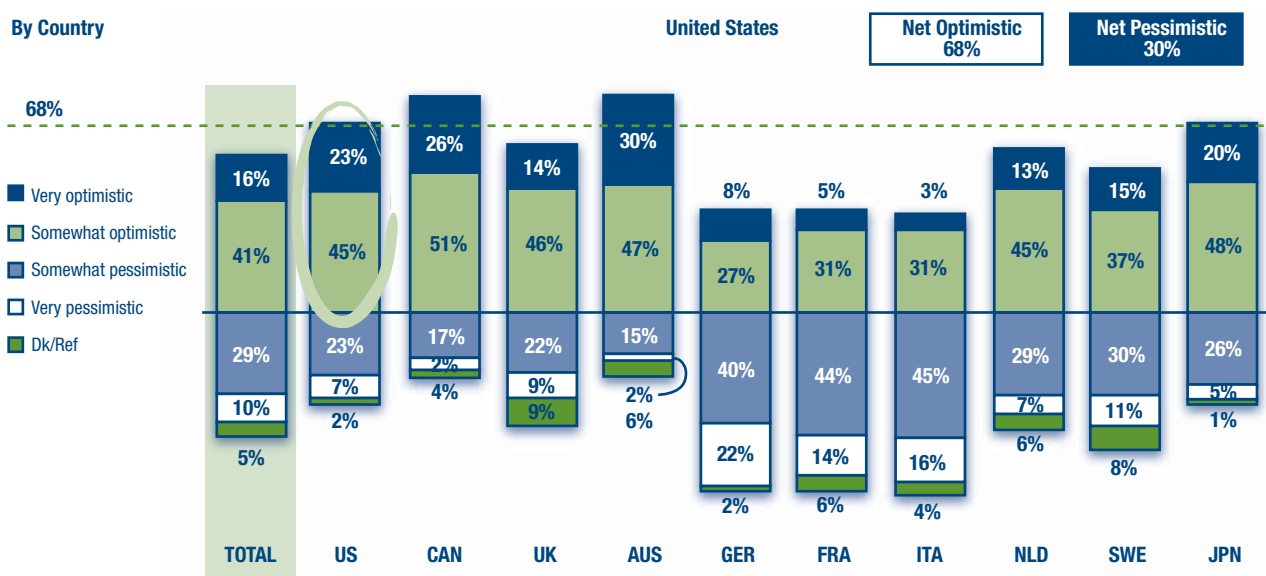
growing population sub-group in the United States. Although there are age-related differences to knowledge about this trend—with only 13% of 18- to 24-year-olds knowing (or guessing correctly) compared to 39% of those over 65—such statistics demonstrate that a disconnect exists between what Americans actually know about old age and their level of general preparedness for it.⁶

Most Americans continue to discount the long-term implications of aging for themselves, instead combating its effects by embracing cosmetics such as wrinkle-reducing creams and lotions, personal care products and vitamins, spa treatments, hair coloring (for men as well as women), prescription drugs, non-surgical and surgical cosmetic procedures, and other anti-aging

products. While the majority of respondents aged 35 and older say that they deem health more important than young looks, the proliferation of age prevention, reduction, and anti-aging products betrays the answers they provide. According to the AARP, Baby Boomers find the prospect of aging somewhat depressing, and nearly one in five (or 18%) admits to resisting it actively.⁷

The proliferation of higher education that flowed from World War II’s GI bill, and from the civil rights and feminist movements, has contributed to this resistance. When comparing the Boomer cohort to those who aged before them, those aged 46 to 60 more likely graduated from high school and college than previous generations. They therefore

Figure 2 ■ Optimism About Retirement: An International Perspective

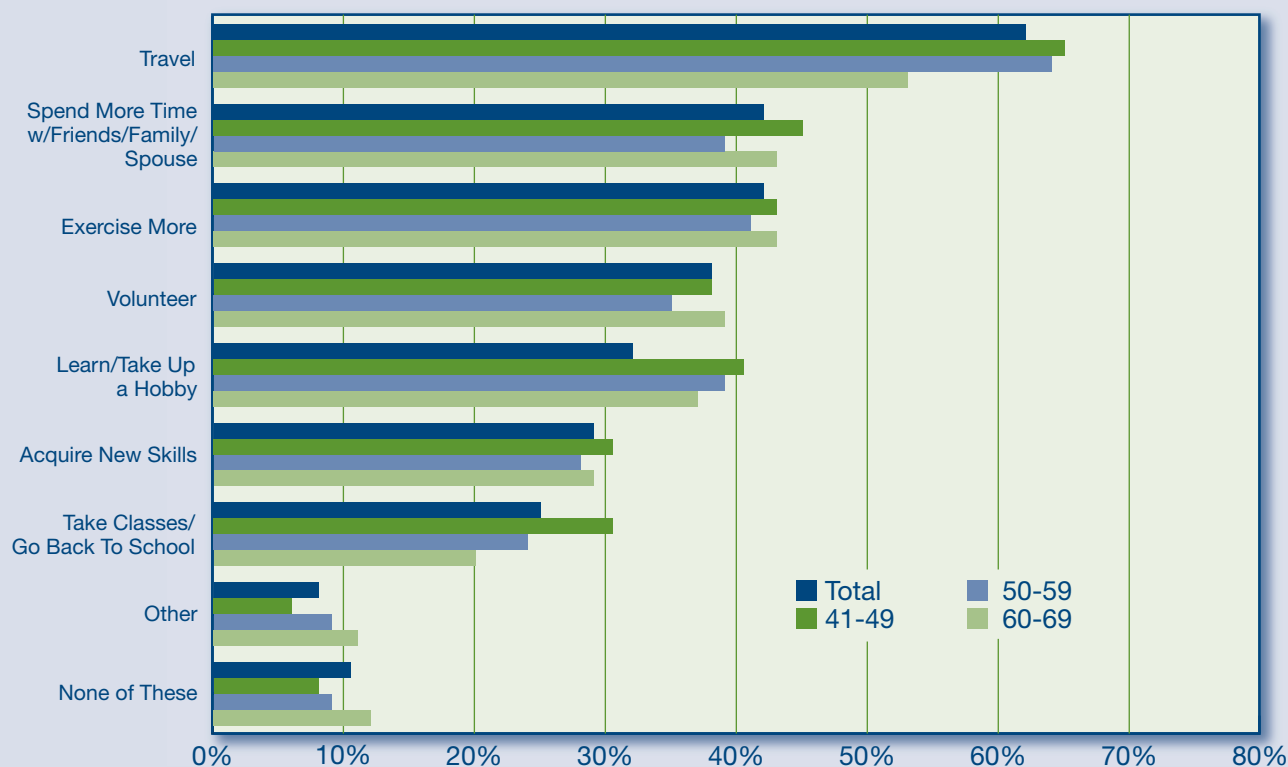


⁵ Del Webb [a leading developer of active adult communities], *Baby Boomer Report: Annual Opinion Survey, 2003* (Del Webb, 2004); and P. Bradley, et al., “Introduction: Demographic and Lifestyle Patterns of an Aging Population,” in P. Bradley, E. Walbeck, and J. Gilhoni, eds., *Proceedings of the Aging Americans: Impacts on Ecology and Environmental Quality Workshop*, United States Environmental Protection Agency, Office of Research and Development, National Health and Environmental Effects Research Laboratory, Atlantic Ecology Division, EPA/600/R-05/028 (Narragansett, RI, 2004), 15-46.

⁶ NCOA, *American Perceptions of Aging in the 21st Century*, op.cit.; and AARP, *International Retirement Security Survey*, op.cit.

⁷ American Association of Retired Persons, *Staying Ahead of the Curve 2003: The AARP Working in Retirement Study* (Washington, D.C.: AARP, 2003), ff.

Figure 3 ■ Brook Adams Research Consumer Survey/Plans for the Future



declare themselves better informed, less likely to trust the advice of experts such as physicians, more inclined to seek information on their own, and ready to push for treatments not fully accepted by the medical establishment (such as alternative or experimental treatments). But as older adults begin to experience some of the adverse physical aspects of aging, either in themselves or through their parents, priorities seem to change no matter the educational level. Indeed, in the post-60 years, research shows that combating the aches, pains, and disabilities of old age becomes much more important than covering up wrinkles, gray hair, and baldness; and often, whether they thought they would do it or

not, aging adults seek the advice of family members and friends, trusted physicians, and a host of other experts.

No matter their priorities or proclivities, America's aging adults have, in general, a more positive attitude about aging than their previous counterparts. Even with common worries about health and finances, they feel they have more control over how they will age and believe they will have a better senior experience than their parents, made possible through improved health-care investments and inheritances as well as by taking better care of themselves as they age.

Baby Boomers have enormous faith in modern science's ability to resolve health-care issues, and now

demand that the medical and scientific community bring about that change. Used to getting what they want, Baby Boomers have few reasons to believe that they will encounter obstacles as they continue to age. As a result, they seek and will pay for goods and services that promise to help them to maintain an active and independent lifestyle in spite of their aging bodies.⁸

Productivity Drives and Realities of Work During Pre- and Post-Retirement Years

The desire to stay busy, to remain productive in some new way (rather than to wind down and relax) now constitutes one of the most distinctive characteristics of the new

⁸ NCOA, *American Perceptions of Aging in the 21st Century*, op.cit.; and AARP, *International Retirement Security Survey*, op.cit., ff.

attitude toward aging. Americans aged 50 and older no longer see retirement as an “endless vacation.” Increasingly, they deem it an active, engaged phase of life that includes work and public service.

In a recent Civic Ventures study, nearly half of all pre-retirees (45%) reported that they expect to continue to work into their 70s or even beyond (27% declaring their intention to work into their 70s and 18% claiming that they would either work into their 80s, never stop working at all, or work as long as they had the ability to do so). Another study conducted for Civic Ventures, by Peter D. Hart Research Associates, discovered a new lifestyle emerging between adulthood and true old age, which they variously call the “third age,” “mid-course,” or “my time.”

Baby Boomers frequently define themselves through their work, and may find it difficult to shift into the stereotypical retirement profile of the past. For some, caring for aging parents has convinced them that they want to remain a more vital, dynamic part of society than those who have seemed to fade into an invisible old age. For others, money matters. And some just declare themselves excited about making the most out of a longer and ideally healthier life by continuing to work in some capacity—either through part-time or full-time work, by starting a new venture, or even as a

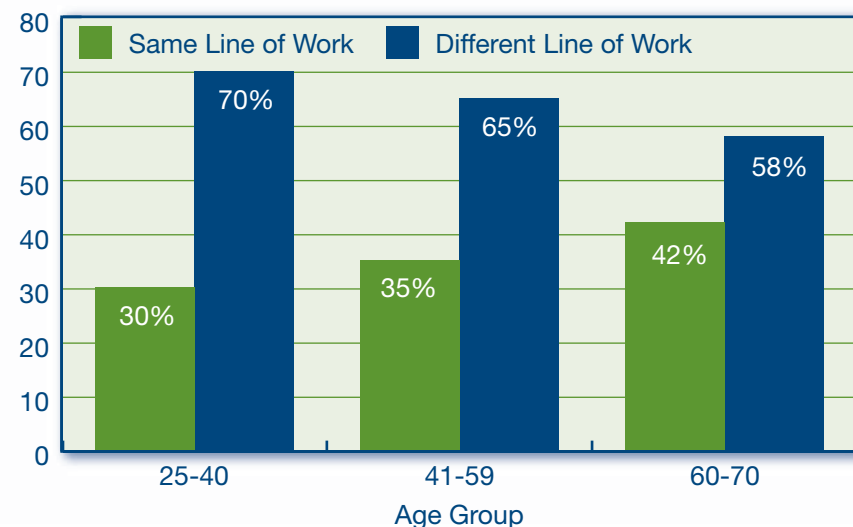
volunteer. Most Baby Boomers also see these activities as a way to stay physically and mentally active.⁹

According to a Merrill Lynch “new retirement survey” conducted in 2006, fully two-thirds of all adults who expect to work in some capacity during retirement also hope to change their line of work (58% among those 60-70 years old; 65% for the boomers aged 41-59; and 70% in the 25-40 age group). Although most profess that they want to pass on their knowledge, some important differences in the kinds of second or third careers they hope to enjoy during retirement emerge between the groups. Among 25-40 and 41-59 age groups, most hope to find work as consultants or teachers, while the 60-70 age cohort express most interest in working as customer greeters (see Figures 4 and 5).¹⁰

Health Care and the Devaluation of Elderly in American Society

Health care options and American attitudes about the aging play important roles in changing perceptions about the kinds of work retirees would like to do (and can do) from one age group to another. While many aging Americans focus on looking young, maintaining good health clearly matters, particularly in terms of one’s independence. And, although the rising costs of health care have always concerned older Americans, as more and more Baby Boomers reach old age, costs have the potential to spiral out of control. According to Mintel’s *Lifestyles of Older Adults*, older Americans can expect a significant jump in the amount they will have to spend to maintain that healthy lifestyle they crave (see Figure 6).¹¹

Figure 4 ■ Type of Work Retirees Would Like to Do In Retirement (By Age Groups)



⁹ Peter D. Hart Research Associates, *The New Face of Retirement: An Ongoing Survey of American Attitudes on Aging* (San Francisco: Civic Ventures, 2002).

¹⁰ Merrill Lynch, *2006 Merrill Lynch New Retirement Study 2006* (Merrill Lynch and Harris Interactive, 2006).

¹¹ Mintel Group International, *Lifestyles of Older Adults—U.S.* (Mintel Reports, 2004).

As it turns out, aging Americans do have some universal concerns about the aging process, which help to explain the drives toward anti-aging products, work beyond retirement, and even the optimism that tends to prevail among those responding to surveys. Retaining personal health while getting older tops that list, while financial concerns run a close second, not only in the ability to pay for living expenses on a more limited income but also for expected increases in health-care costs.

Thus, although the 2005 Merrill Lynch New Retirement Survey found that nearly 32% of Americans think they have financially prepared themselves fairly to very well for the retirement years, 28% confess that

they have not really prepared themselves at all. As Figures 7 and 8 suggest, concerns about health care and finances dominate the list of fears no matter how well prepared Americans deem themselves for their retirement years.¹²

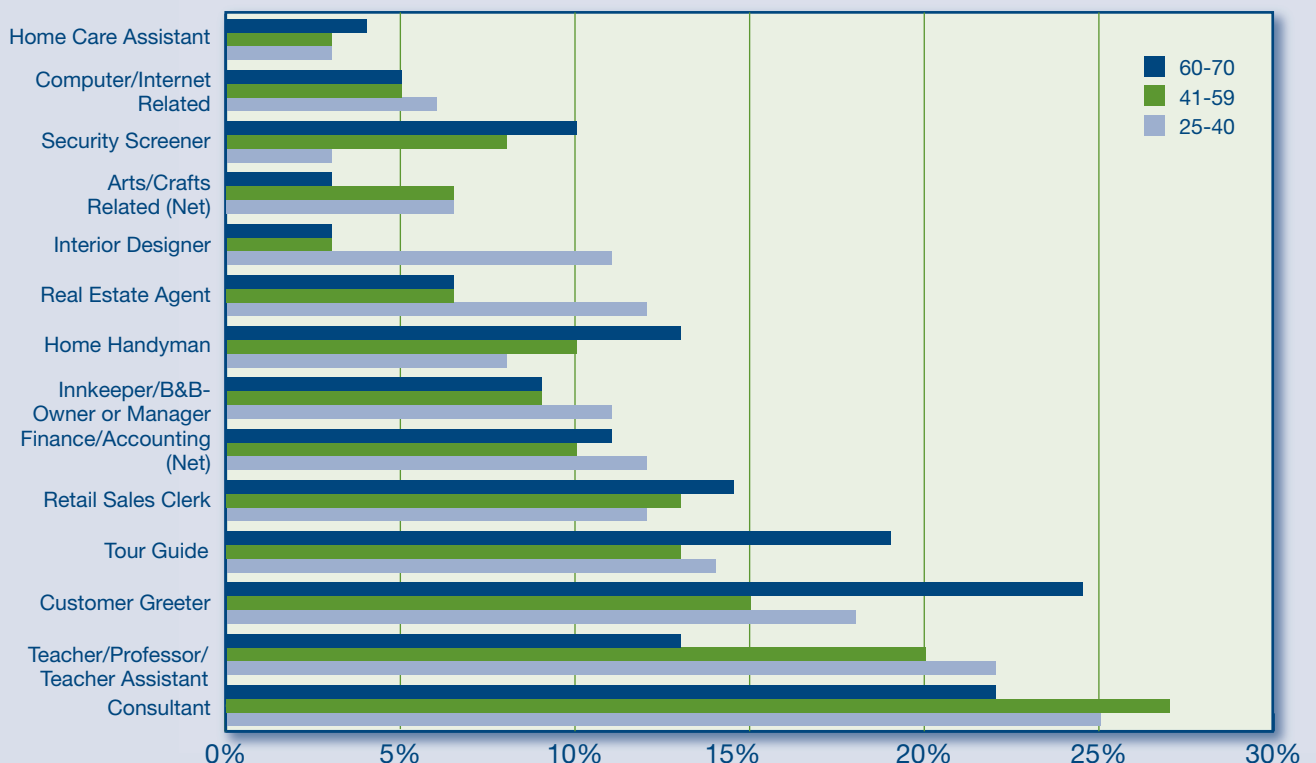
Americans also worry about losing their independence, whether as a result of natural aging decline or through one of the most widely feared age-related conditions currently known to them—Alzheimer’s disease. Alzheimer’s, more than any other disease, seems to affect people’s sense of self-control, a dilemma particularly difficult for Americans who claim to value independence above all other conditions.

According to Alexandre Bennett, a

clinical neuro-psychologist specializing in geriatrics, many people fear Alzheimer’s more than death itself because, as he argues, the former “steals your personality and turns you into somebody who requires total care.” As a result, several recent studies have revealed that older Americans worry more about the ability to care for themselves (44%), and about losing their memories (42%), than they do about the potential for another terrorist attack (35%). And despite optimistic responses about old age, NCOA researchers found that although the typical American would like to live through his or her 80s, only 27% think they would like to reach 100 years of age.¹³

Rising health-care costs and levels

Figure 5 ■ Types of Work Retirees Would Like to Do in Retirement (By Age Groups)



¹² Merrill Lynch, 2005 Merrill Lynch New Retirement Study 2006 (Merrill Lynch and Harris Interactive, 2006).

¹³ NCOA, *American Perceptions of Aging in the 21st Century*, op.cit.

Figure 6 ■ Average Annual Spending on Health Care by all Consumer Units and Consumer Units Headed by People Aged 45 or Older, by Age, 2000

Spending Category (US\$)	All	45 to 54	55 to 64	65 to 74	75+
Health insurance	983	976	1,132	1,608	1,631
Medical services	568	699	721	686	658
Physicians	134	160	169	109	96
Dental	221	267	266	306	248
Nursing home care	32	13	25	96	158
Other	180	259	260	175	155
Drugs	416	407	538	744	908
Prescription drugs	305	281	397	607	756
Non-prescription drugs	65	70	70	79	96
Non-prescription vitamins	46	56	71	58	56
Medical supplies	99	118	117	126	141
Glasses/contacts	58	83	78	57	41
Hearing aids	12	4	6	27	59
Other	29	32	33	42	41
Total	2,066	2,200	2,508	3,163	3,338

of financial preparedness for a longer old age will matter to consumer perceptions about the aging process over time. Although Americans remain confident that they will eventually have enough money for retirement, the AARP International Retirement Security Survey found that a full 55% believe that they have fallen behind schedule with both planning and savings for the future (see Figure 9). Some people have argued that increased financial burdens will drive Baby Boomers and their older counterparts into more and more preventive health care, including the use of vitamins and minerals to protect against disease, self-diagnosis to monitor health, and increased exercise to stay fit and

flexible and to retain muscle use. At some point, however, greater costs kick in; and, for many older Americans, encounters with aging

and ageism surface most painfully in the context of health care, where many also fail to find the sorts of preventive health-care advice and

Figure 7 ■ Merrill Lynch Survey on Financial Preparedness

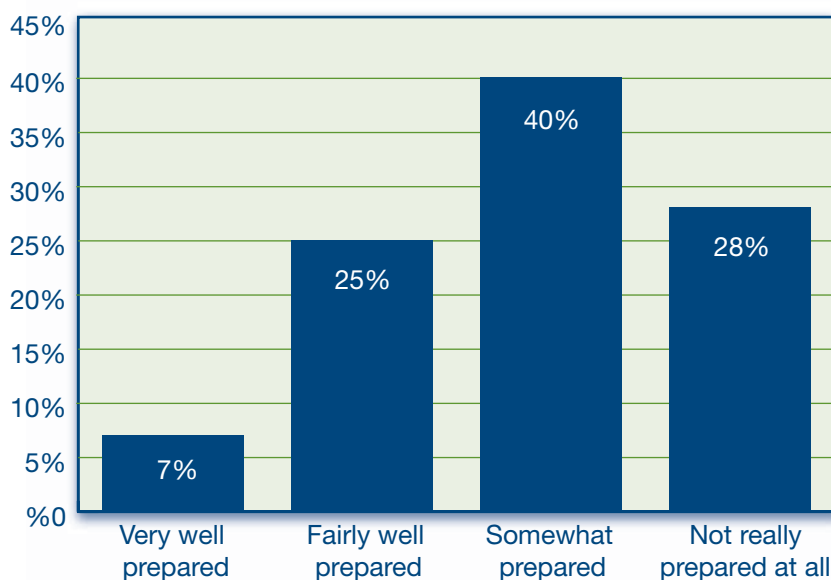
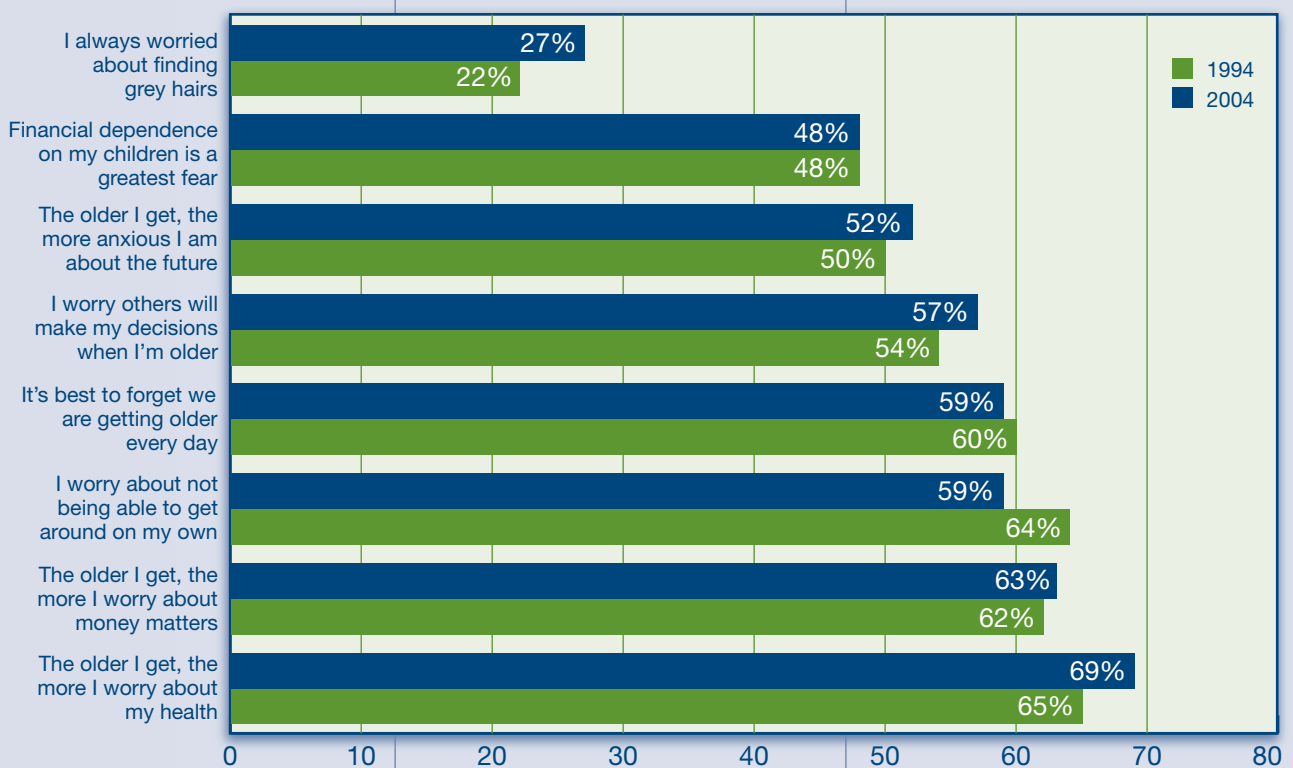


Figure 8 ■ Anxieties About Aging – Percentages Agreeing With Statement (2004)



treatment they need when vitamins, self-diagnosis, and exercise fail to alleviate their symptoms of older age.¹⁴

If poor health and loss of independence become serious issues, Americans also worry about who will take care of them as they age. Only 36% believe they can count on their children to do so, yet 82% claim they will not need to live in a nursing home. Although we do not know how people with such disconnects think about where and from whom they will receive care, the Feb. 28, 1991, *New England Journal of Medicine* reported that an estimated 43% of those who turned 65 in 1990 would enter a nursing home sometime before they die. We have no reason to believe that

percentage will go down over time.

In a report presented before a Senate committee in 2004, Alliance for Aging Research (AAR) representatives argued that the elderly have surfaced as the least likely group to receive preventive care, and that they often lack access to doctors trained to help them. The AAR report finds that only 10% of all people aged 65 and over receive appropriate screening tests for bone density, colon, rectal, and prostate cancer, and glaucoma, despite the fact that research shows that these diseases most commonly surface in patients over age 65. Moreover, 60% of adults over 65 do not receive recommended preventive services, and 40% do not receive vaccines for flu and pneumonia.¹⁵

Higher education has served to intensify the dilemma aging Americans and their service providers now face. Recent studies show that only about 10% of all medical schools in the United States require work in geriatric medicine, while the American Geriatrics Society (AGS) reports that only about 7,600 physicians nationwide have received certification as geriatric specialists—numbers insufficient to meet current demands and far below the 36,000 specialists Americans will need by 2030. As Hurricane Katrina painfully uncovered, age matters in terms of who receives aid and attention, and clearly those in old age lost during the fall of 2005. Although the 61 and older group represented 60% of all victims identified in the

¹⁴ AARP International Retirement Security Survey (Washington, D.C.: AARP, 2005).

¹⁵ Alliance for Aging Research, 2004 Task Force (2004), op.cit.; and Mintel Group International, *Lifestyles of Older Adults—U.S.* (Mintel Reports, 2004).

wake of Katrina, many of them received little or no attention because of their demographic profile.¹⁶

While the AGS argues that making Medicare a more lucrative proposition would attract a greater number of doctors to the field, some experts also believe we need to challenge the age discrimination not only “deeply embedded and widespread in American society” but also prevalent among the medical students who will be charged with caring for the aged. For example, the International Longevity Center (ILC-USA) has recently indicted the United States Congress for its role in perpetuating ageism in the United States through, among other things, its elimination of funding for geriatrics education and training in the 2006 Labor-Health and Human Services appropriations bill (a program funded at \$31.5 million during 2005).

Passive ageism has also emerged as a critical indicator of the ways in

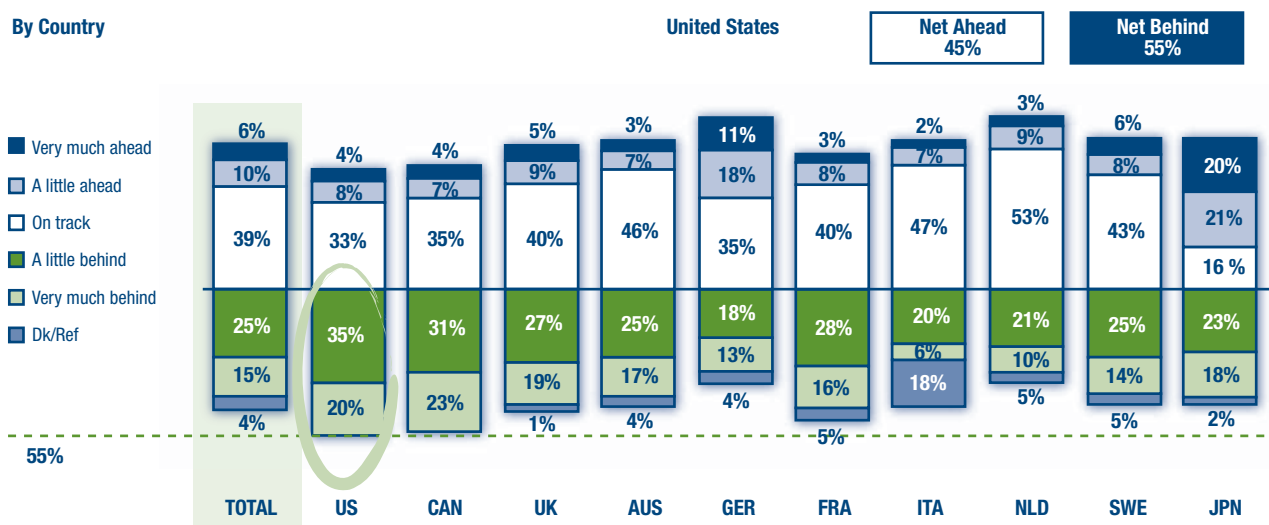
which Americans devalue the elderly. According to ILC-USA’s recent report, *Ageism in America*, between 1 and 3 million Americans over the age of 65 have suffered from injuries, exploitation, or other mistreatment inflicted by someone on whom they depend for care and protection. ILC-USA also estimates that each year, some 5 million older Americans fall victim to financial exploitation (with only 4% of them reporting this to the authorities).

The national General Social Survey reports that, from 1977 through 2002, perceived age discrimination in the workplace increased from 6 to 8.4% overall, and from 11.6 to 16.9% among workers aged 65 and older. During 2004, the United States Equal Employment Opportunity Commission (EEOC) sanctioned this trend by ruling that employers can deny health benefits to retirees at age 65 without violating age

discrimination laws. As a result, the Economic Policy Institute reports that during economic downturns, it should come as no surprise that a disproportionate number of long-term, unemployed workers (25.6%) now emerge among those aged 45 and over. These realities mean that nearly 63% of all older job applicants confess that they would leave dates off their resumes in order to hide their age, while 18% declare that they would willingly undergo cosmetic surgery as a precaution against age discrimination.

Advertisers and the media engage in unabashed ageism as well. For example, although adults of all ages drink beer and buy cars, television, radio, and print ads for these and a host of other products almost invariably feature youthful actors and models. According to AARP, people aged 50 and over account for more than half of all consumer spending, yet only 10% of marketing

Figure 9 ■ Planning and Savings for Retirement



¹⁶ International Longevity Center, *Ageism in America* (2006), ff.

firms target aging Americans. One could argue that advertisers, knowing they can count on the consumerism of older Americans, spend their dollars attempting to attract younger people on whom they cannot so readily depend. Regardless, the anti-old-age dynamic has become particularly potent in television, where network executives gear programming toward 18 to 34-year olds because advertisers will pay more to reach those viewers. Moreover, when an older person sees a product targeted to a younger audience, they do not hesitate to buy it. Advertisers have learned that the same does not apply in the reverse.

Studies also show that although the elderly comprise 12.7% of the total population, fewer than 2% of prime-time television characters hail from the over-65 set. According to one study, when those 2% of characters appear on television, approximately 70% of the men and more than 80% of the women find themselves portrayed disrespectfully, treated with little if any courtesy, and in positions that make them look foolish, “bad,” or both. Thus, according to several reports cited in International Longevity Center’s recent *Ageism in America*, these industries perpetuate an anti-aging culture already evident in American life, bolstering negative views of aging and portraying the aging process as highly undesirable. As a result, the American market for anti-

aging products and services expanded into a \$45.5 billion industry during 2004. With projected annual growth rates of 9.5%, the anti-aging market will reach nearly \$72 billion by 2009 in dollars spent by the very Americans who, by their own admission, have fallen behind in financial planning and saving for a longer old age than any previous generation.

Key Challenge #2: The Financial Condition of American Consumers Falling Behind on Saving and Preparing for Retirement

We cannot yet know how increased longevity will play itself out, for much will depend upon the quality of life aging Americans enjoy as a result of medical breakthroughs, family, community, government support, and economic conditions. We do know, however, that financial trends look less than rosy for the vast majority of Americans, particularly when one considers a crumbling Pension Benefit Guaranty Corporation, the need for ongoing pension reform, and the fact that most Americans now rely upon 401(k) plans as their primary savings vehicle for retirement.

With the Pension Protection Act of 2006 signed into law on August 17, some suggest that concerns about retirement will abate; however, Deloitte’s recent survey of pension plans reveals that more than half of

the 401(k) plans offer no advice, and that even when they do, fewer than 17% of employee participants actually take advantage of the offering. Moreover, only 39% of those seeking and receiving advice about how to manage their retirement accounts actually act upon it.

As Mike Scarborough, president of the Scarborough Group (an investment adviser in Annapolis, Md., working with 401(k) participants), recently argued, “You can tell people all day long what to do [in terms of determining appropriate asset allocation or selecting specific funds], but if they don’t do it or don’t do it when we tell them to do it, it doesn’t really matter.” As a result, nearly 80% of Americans with 401(k) plans expect others to make those decisions for them. And these numbers merely reflect the employed who participate in some sort of retirement plan.¹⁷

Americans declare that they fall behind in retirement saving and planning for a variety of reasons, but like most of their counterparts studied by the AARP, insufficient income from which to save surfaces as the crucial reason (with the United States equaling the mean of 29%—for comparative purposes, see Figure 10 below, which contains five tables placing the United States within a wider context of developed nations, and recording responses about planned retirement age, expected retirement age, reasons savings/planning is

¹⁶ International Longevity Center, *Ageism in America* (2006), ff.

¹⁷ See, for example, “America’s Corporate Pensions On the Runway: At Last, Pension Reform is in the Works,” *The Economist* (July 22, 2006); House Committee on Education and the Workforce, *Pension Protection Act (H.R. 2830) Bill Summary*, at <http://www.house.gov>; *Pension Protection Act of 2006: Text of H.R. 4 and JCT Explanation* (2006); Deloitte Consulting LLP, *2005-2006 Annual 401(k) Benchmarking Survey* (2006); and <http://www.bea.gov>.

behind schedule, the major sources of income, and expected role of work foreseen in retirement).¹⁸

As the numbers in Figure 10 suggest, although the vast majority of Americans plan and expect to retire between 60 and 69 years of age (some 59% and 50% respectively), 7 to 10% of them also expect to work well beyond their planned retirement age. In addition, fully 48% of Americans surveyed by the AARP expect workplace retirement savings programs to unfold as their major source of retirement income, while the vast majority anticipate that they will work at least part-time during retirement (34%) or alternate between periods of work and leisure (25%).

In many ways, these numbers also reflect the general state of the American economy, and the realities of declining GDP growth rates as well

as fears about declining real wages. With rising interest rates and higher energy prices contributing to a slowdown in consumer spending, coupled with the dislocation of economic activity associated with damage incurred by Hurricanes Katrina and Rita, real GDP growth slowed to 3.5% in 2005. Although the U.S. economy grew an annualized real 5.6% in the first quarter of 2006 (and recovered from a three-year low of 1.7% during the last quarter of 2005), Economic Intelligence Unit (EIU) forecasters predict that real U.S. GDP growth will slow an estimated 3.6% in 2005 to 2.7% in 2006 and 2.9% in 2007 (see Figure 11 for real GDP growth rates from 2001-2006), numbers largely based upon further monetary tightening and the financial health of the personal sector. With home sales falling to the slowest rate

since 2003, it now appears that the predicted softening of the housing market has taken hold.¹⁹

Inflation has also made it difficult for Americans to save for retirement. Indeed, with the Federal Reserve continuing to raise interest rates to fight inflation, the EIU expects benchmark interest rates to reach their highest levels in more than five years. Although prices for core consumer items (less food and energy) have remained relatively benign, prices have continued to rise sharply for both energy commodities and energy services. At the same time, the United States dollar has weakened significantly against most major currencies, a situation that promises to continue for some time, along with weakened job performance despite trailing unemployment rates.²⁰

Figure 10 ■ AARP International Retirement Security Survey, Comparative Tables on Retirement:

TABLE 1 ■ PLANNED RETIREMENT AGE

	Total	US	CAN	UK	AUS	GER	FRA	ITA	NLD	SWE	JPN
49 or younger	1%	4%	2%	3%	4%	1%	1%	1%	3%	0%	0%
50-54 (net)	4%	6%	4%	7%	9%	1%	2%	6%	2%	1%	3%
55-59 (net)	15%	13%	29%	15%	21%	4%	22%	12%	9%	4%	8%
60-64 (net)	34%	29%	22%	34%	27%	50%	40%	26%	36%	27%	35%
65-69 (net)	27%	30%	30%	25%	20%	27%	8%	13%	32%	49%	31%
70-74 (net)	3%	6%	2%	3%	4%	1%	1%	2%	1%	1%	9%
75+	1%	3%	2%	1%	1%	1%	0%	0%	1%	1%	0%
Never retire	3%	4%	4%	0%	3%	2%	5%	9%	4%	1%	8%
Don't know	11%	4%	5%	12%	11%	11%	20%	29%	11%	15%	6%

Source: AARP

Q: Not Retired: "At what age do you plan to retire?"

Retired: "At what age did you think you were going to retire?"

¹⁸ AARP International Retirement Security Survey (Washington, D.C.: AARP, 2005).

¹⁹ AARP, International Retirement Security Survey, op.cit.; Economist Intelligence Unit, *S&P Report on U.S. Retail Sector* (May, 2006); and <http://www.realtor.org/>.

²⁰ See, for example, <http://www.conference-board.org/>; <http://www.bls.gov/>; <http://www.bea.gov/>; <http://www.eiu.com/>; <http://census.gov/>; <http://www.standardandpoors.com/>; <http://www.eiu.com/>; <http://www.bloomberg.com/>; <http://www.eiu.com/>; and <http://www.eiu.com/>.

TABLE 2 ■ EXPECTED RETIREMENT AGE

	Total	US	CAN	UK	AUS	GER	FRA	ITA	NLD	SWE	JPN
49 or younger	1%	7%	6%	7%	3%	3%	2%	3%	2%	2%	0%
50-54 (net)	2%	6%	7%	9%	6%	3%	2%	6%	1%	3%	4%
55-59 (net)	11%	13%	21%	11%	19%	5%	15%	7%	4%	4%	10%
60-64 (net)	30%	26%	24%	25%	24%	34%	35%	25%	30%	25%	35%
65-69 (net)	32%	24%	28%	26%	23%	35%	15%	15%	41%	45%	24%
70-74 (net)	6%	13%	4%	6%	5%	6%	1%	2%	4%	4%	4%
75+	3%	6%	4%	2%	4%	1%	0%	0%	1%	2%	0%
Never retire	3%	3%	3%	0%	4%	2%	4%	9%	4%	4%	9%
Don't know	13%	3%	4%	13%	11%	10%	24%	30%	10%	12%	14%

Source: AARP

Q: Not Retired: "At what age do you think you will actually retire?"

Retired: "At what age did you actually retire?"

TABLE 3 ■ REASONS SAVINGS / PLANNING IS BEHIND SCHEDULE

	Total	US	CAN	UK	AUS	GER	FRA	ITA	NLD	SWE	JPN
Not enough income to allow me to save	29%	29%	33%	30%	30%	18%	34%	32%	31%	30%	22%
Education expenses	18%	12%	11%	10%	22%	12%	20%	22%	21%	10%	41%
Raising a child or grandchild	17%	21%	22%	11%	26%	15%	15%	11%	12%	11%	16%
Saving for retirement isn't/ wasn't a priority	17%	13%	15%	11%	13%	12%	23%	5%	17%	26%	27%
Unemployment	11%	14%	13%	14%	14%	14%	12%	14%	8%	6%	1%
Mortgages for your home	12%	5%	7%	6%	26%	8%	20%	4%	15%	6%	21%
Did not realize how much I needed to save	9%	8%	6%	5%	25%	11%	11%	0%	12%	7%	6%
Health or medical expenses	6%	10%	1%	4%	14%	6%	6%	14%	7%	1%	3%
Spent money on shorter-term things	6%	4%	9%	4%	3%	9%	16%	11%	7%	3%	0%
Expenses of remodeling a home	6%	1%	3%	4%	7%	9%	17%	8%	8%	1%	1%
Transportation or car expenses	4%	4%	1%	3%	5%	5%	10%	12%	5%	1%	2%
Expenses of caring for family members/relatives	NA	3%	2%	1%	5%	3%	2%	4%	6%	1%	0%
Credit card debts	NA	5%	4%	3%	8%	3%	3%	0%	1%	1%	1%

Source: AARP

TABLE 4 ■ MAJOR SOURCES OF INCOME

	Total	US	CAN	UK	AUS	GER	FRA	ITA	NLD	SWE	JPN
Employer-provided/ occupational pension	28%	36%	43%	31%	9%	19%	62%	13%	30%	25%	13%
Workplace retirement savings program	26%	48%	36%	43%	43%	17%	15%	5%	28%	19%	9%
One time payment from your employer	13%	9%	13%	27%	11%	6%	13%	20%	10%	3%	22%
Other personal savings/ investments	25%	35%	45%	30%	34%	17%	25%	11%	27%	17%	7%
Sale or refinancing of your home	11%	11%	18%	16%	8%	6%	16%	5%	20%	6%	2%
Earnings from employment	26%	36%	32%	30%	16%	19%	31%	35%	33%	13%	18%
Support from children/family	4%	4%	7%	7%	1%	2%	3%	5%	7%	1%	2%
An inheritance	7%	6%	12%	13%	6%	5%	10%	8%	8%	3%	4%
Public pension	42%	28%	38%	34%	20%	61%	35%	62%	43%	57%	63%*

Source: AARP

TABLE 5 ■ EXPECTED ROLE OF WORK IN RETIREMENT

	Total	US	CAN	UK	AUS	GER	FRA	ITA	NLD	SWE	JPN
Stop working completely	31%	14%	18%	30%	24%	37%	43%	53%	34%	39%	18%
Work full-time in the same type of work	3%	5%	3%	3%	1%	6%	1%	2%	2%	2%	10%
Work full-time but in a different type of work	2%	5%	2%	2%	1%	2%	1%	2%	2%	1%	5%
Work part-time	19%	34%	29%	25%	19%	20%	6%	7%	10%	11%	28%
Alternate between periods of work and leisure	16%	25%	22%	20%	25%	7%	8%	7%	6%	17%	23%
Serve as a volunteer	17%	13%	19%	15%	22%	14%	28%	11%	30%	8%	8%
Taking educational courses or workshops	7%	2%	6%	4%	5%	7%	8%	3%	10%	15%	7%
Don't know	*	1%	1%	1%	2%	5%	3%	16%	5%	6%	3%

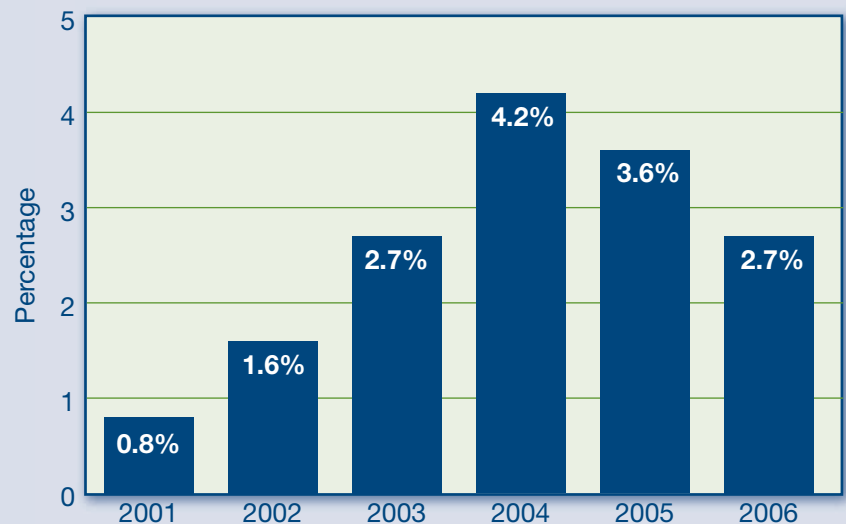
Q: "Which ONE of the following do you/did you see yourself doing in your life after retirement?"

Denying the Realities of an Aging Workforce Plagues Businesses, Consumers, and Government Entities Alike

Of course, other economic imbrolios have emerged as well. As *The Economist* reported in a special issue on the aging workforce in February 2006, “Given that most societies are geared to retirement around 65, companies have a looming problem of knowledge management, of making sure that the boomers do not leave before they have handed over their expertise along with the office keys and their e-mail address.” But like other firms that have conducted surveys about the situation, Ernst & Young reports that “although corporate America foresees a significant workforce shortage as boomers retire, it is not dealing with the issue.” And according to many of the experts we interviewed for this report, nor are American workers and consumers.

Some companies have employed technology, off-shoring, and immigration recruitment schemes to replace the loss. However, as Peter Cappelli of the Wharton School has argued, with pensions no longer as generous as in the past, “baby-boom workers simply will not be retiring from work in the numbers that many people expect.” In a recent Harris/*Wall Street Journal* survey,

Figure 11 ■ Real GDP Growth (%)



39% of Americans over 54 report that they now doubt they will have sufficient funding for old age. Thus, Cappelli predicts that “the labor force will in fact rise [rather than decline,] from 153 million in 2000 to some 159 million by 2010.” As a result, both reward systems as well as age profiles will change dramatically over the coming decade as circumstances force employers, employees, and government officials to seek solutions to the country’s “graying problem.”²¹

Consumer confidence has remained relatively high despite the 21st century’s early recession and ongoing gloomy economic forecasts. Yet the savings rate in the United States has continued to plummet over the past decade, finally dipping under 0% during 2005, in part, on the disincentives created by a period of very low interest rates and rising home and stock prices. As a result,

household net worth was valued at more than \$52 trillion in 2005, equivalent to almost six times disposal personal income (DPI). At the same time, debt service reached the highest level in recorded history, now standing at 13.9% of DPI. In part, we could attribute this rise in debt in recent years to a simultaneous rise in the home ownership rate, which climbed from 63.8% in 1994 to 69.2% in 2005. At the same time, with the long-standing trend away from defined benefit (DB) pension plans and toward defined contribution (DC) plans continuing without interruption, 401(k) and similar plans have emerged as the single most important retirement savings plan for American workers. And while the following pie chart reveals (in Figure 12) that 15.82% of all American households reported

²¹ “Turning Boomers into Boomerangs,” *The Economist* (February 16, 2006); and “The Aging Workforce,” at http://www.timegoesby.net/2006/02/the_aging_workf.html.

annual incomes exceeding \$100,000.00 in 2005, at least 12.7% of other households fell below the official poverty line.²²

With the U.S. median household income at \$44,389 during 2004, the Census Bureau reports that household income has fallen since reaching its all-time peak of \$46,128 in 1999. Importantly, the bureau also reports that nearly 37 million Americans now live well below the official poverty line, while 45.8 million Americans (some 15.7% of the total population) lacked health insurance in 2004 (a number inching upward from an already abysmal 15.6% in 2003). If these trends continue, such figures bode well neither for the American economy nor for sectors responsible for the care of the country's aging populations.

Trust in the Government's Ability to Provide for the Aging Continues to Plummet

According to AARP's

International Retirement Security Survey, Americans also share with their counterparts in other countries a lack of trust in the government's ability to provide adequate health and retirement benefits, either now or in the future. Nearly all older Americans have Medicare (the federal government's health program created in 1965), along with Medicaid (the joint federal-state program designed primarily to finance health care for the poor), as their primary source of health insurance coverage. But while both Medicare and Medicaid provide care for the disabled, the Medicare package mostly covers acute care and requires beneficiaries to pay part of the cost of their health insurance. This means that beneficiaries must find other sources of coverage for the remaining half of their health spending requirements.

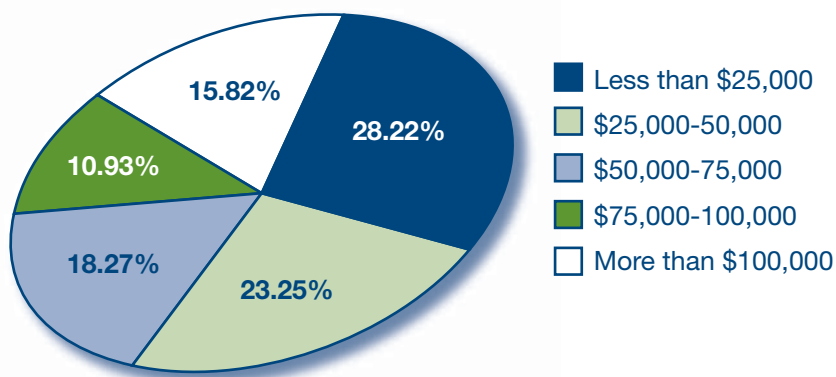
As a result, many older Americans have to purchase supplemental insurance to fill these gaps and to obtain the services not covered by

Medicare. In 2001, the United States had 39 million Medicare beneficiaries, including 34 million senior citizens and 5 million disabled Americans. The cost of the program, paid by taxes on today's workers, premium contributions by beneficiaries, and some general revenue funds, has fallen under increasing pressure with no visible relief in sight, particularly when one considers changing demographics and workforce reductions over the long term.²³

Pensioners can participate in Medicare regardless of their income; and most beneficiaries paid payroll taxes into the program during their working years, which now entitles them to participate in the Medicare hospitalization program when they reach age 65 (under Medicare A). At age 65, they also pay a monthly premium to receive coverage for physician services and preventive care (Medicare B). Presently, approximately 86% of elderly Medicare beneficiaries receive their care under these two programs. With the advent of Medicare C (also known as Medicare+Choice) during 1997, beneficiaries can also choose to receive their health care through a number of participating private health plans, including those through full-service Health Maintenance Organizations (HMO).

Despite growing problems with the program's benefit structure and looming funding shortfalls, Medicare

Figure 12 ■ US Household Income Distribution in % (2005)



²² See, for example, <http://www.conference-board.org>; <http://www.bls.gov>; <http://www.bea.gov>; <http://www.eiu.com>; <http://census.gov>; <http://www.standardandpoors.com>; <http://www.eiu.com>; <http://www.bloomberg.com>; <http://www.eiu.com>; and <http://www.eiu.com>, ff.

²³ AARP, *International Retirement Security Survey*, op.cit.; and Federal Interagency Forum on Aging-Related Statistics, *Older American 2004*, available at <http://www.cdc.gov/omh/Highlights/2006/HMay06.htm>, ff.

remains very popular among both pensioners and politicians. In part, this popularity resides in the fact that, unlike the great majority of working Americans with private health insurance, Medicare beneficiaries still have the freedom to seek medical care wherever they choose under the so-called “fee-for-service” model.

Regardless, most Medicare enrollees must pay for insurance supplements, which they split almost evenly between employer-sponsored and Medigap-type policies. Some 10% rely on Medicaid, while nearly 10% have no supplemental coverage at all. Although HMO enrollment increased rapidly throughout the 1990s, it began to decline as greater numbers of HMOs withdrew from the Medicare program altogether, citing falling profits as a primary concern. Medicaid currently covers nearly 46% of nursing home costs for older Americans, while individuals must incur out-of-pocket expenses equaling nearly 48% of the remaining cost. They also pay nearly 41% of their prescription drug costs out of pocket, along with 80% of their dental care costs.²⁴

As a result, recent declines in the rates of nursing home residence may have as much to do with broader changes in the health-care system affecting them as their desire to remain independent for a longer period of time. Indeed, the

prevalence of other forms of residential care and services, such as assisted living and home health care, reflect these trends.

Social Security Remains an Issue Despite Reform and the Pension Protection Act of 2006

In addition to further health-care pressures resulting from demographic change, circumstances have forced Americans to expend more energy on pension reform and the thorny problem of how to pay for future Social Security commitments once Baby Boomers begin to retire in greater numbers after 2010. The Social Security system is projected to reach insolvency by 2040 (despite earlier reforms which not only gradually increased to 67 the age at which payments become due, but also reduced benefit levels and raised Social Security taxes). In response, President Bush and his supporters have suggested that a partly privatized system would serve as the best way to deal with the crisis. Privatization would allow younger workers to opt out of Social Security taxes, presumably enticing them to put that money into private accounts instead. However, the plan has run into a firestorm of criticism, not only because of the enormous transition-cost burden that Americans would have to incur, but

also because many fear that private stock market accounts would emerge as both inappropriate and risky as well as expensive, particularly for low-income workers. Moreover, because Americans fund Social Security on a pay-as-you-go basis, a general tax would have to replace the money lost if people opted out of the system, at a cost of up to \$3 trillion. With other matters pressing, including the ongoing war in Iraq, and with Democrats assuming control of Congress in 2007, it seems unlikely that Congress will take up the issue in the near future. Regardless, the problem will not go away unless Americans solve the challenge of the demographic shift in other ways.²⁵

Meanwhile, with General Motors, Delta Airlines, Northwest Airlines, and numerous other companies struggling to reduce their pension pay-outs in an effort to return to profitability, many companies have switched to plans that attract tax relief—the 401(k). Unfortunately for workers, company contributions to such plans vary considerably, and individual investments (mainly in mutual stock market funds) may not secure for them an adequate retirement income. Although the Pension Protection Act of 2006 promises to relieve some of the anxiety workers now face, the financial condition of American workers and consumers remains

²⁴ Centers for Medicare and Medicaid Services, *Medicare Current Beneficiary Survey* (2001); Centers for Disease Control and Prevention, National Center for Health Statistics, *National Nursing Home Survey* (2001); and Federal Interagency Forum on Aging-Related Statistics, *Older American 2004*, op.cit., ff.

²⁵ Harry R. Moody, *Aging: Concepts and Controversies* (New York: Sage Publications, 2002); “America’s Corporate Pensions On the Runway: At Last, Pension Reform is in the Works,” *The Economist* (July 22, 2006); House Committee on Education and the Workforce, *Pension Protection Act (H.R. 2830) Bill Summary*, at <http://www.house.gov>; *Pension Protection Act of 2006: Text of H.R. 4 and JCT Explanation* (2006); Deloitte Consulting LLP, *2005-2006 Annual 401(k) Benchmarking Survey* (2006); and <http://www.bea.gov>, ff.

uncertain. Of course, this state of affairs places further pressure on the aging and those charged with providing services to them now and in the future.

Key Challenge #3: The State of Health Care and Aging Services Providers Government Spending Cuts Adversely Affect Primary Care Facilities and Not-for-Profits

For more than 250 years, the not-for-profit sector has played a crucial role in American society. Americans look first to not-for-profit organizations when they need to undertake important work for the good of society, and those who take care of aging populations take pride in the fact that they have emerged as leaders and innovators throughout American history. As AAHSA has affirmed, the not-for-profit approach to aging services places emphasis on providing an atmosphere of fellowship and caring; on meeting the social, physical, and spiritual needs of the individual; and on helping older persons to achieve the dignity and quality of life that they deserve in their retirement years.

State and federal governments have long supported the work of not-for-profits by exempting them from the financial burden of paying taxes; and for over a century, nonprofits have proven that this status carries a responsibility to serve those whom

no one else will serve and to implement innovations that catalyze change across the continuum of care. AAHSA and its members remain committed not only to maintaining, but also to expanding the “Not-for-Profit Difference” despite the fact that the nonprofit sector, in general, and primary medical care providers, in particular, now face enormous financial pressures and resource challenges.²⁶

According to the American Hospital Association, the financial status of hospitals has declined precipitously in the wake of the Balanced Budget Act of 1997, making it increasingly difficult to care for and to cure patients in need. The total number of hospitals has declined nearly 20% over the past 30 years, from 7,156 in 1975 to 5,794 during 2003, while more than 35% of government-owned hospitals have closed their doors during the same period. Additionally, the number of nonprofits has declined by about 10%, while minimal increases (only 2%) have occurred in the for-profit sector (see Figure 13).

With more than 45 million Americans lacking health-care coverage, hospitals provided some \$25 billion in uncompensated care, largely in services provided to Medicare and Medicaid patients. Still, policy makers looking for ways to cut the deficit continue to target hospitals and other health-care providers. As

hospitals lose funding and decline in numbers, so do bed numbers, occupancy rates, and funding available to serve the very people who need medical care the most. In addition, insufficiencies continue to spread throughout the sector.²⁷

Although technological advances have allowed greater numbers of procedures to take place within physicians’ offices and outpatient clients, changes in payment policies to hold down costs have made life extraordinarily difficult for primary medical service providers, whether affiliated with a religious organization or secular institution, or whether involved in a national hospital system such as the Department of Veterans Affairs (VA—by far the largest not-for-profit medical provider in the United States), a nursing home chain, a small community hospital, a single-site nursing home, or within the array of outpatient facilities charged with serving local citizens.²⁸

In 2004, Medicare and Medicaid programs combined paid a little less than 40% of the nation’s health-care bill. When President Bush signed the Deficit Reduction Act of 2005 (in February 2006), the federal government reduced Medicaid spending by nearly \$5 billion and Medicare by \$6 billion over the next five years. According to the White House, the Deficit Reduction Act will reduce Medicaid spending by

²⁶ See http://aahsa.org/about_aahsa/notforprofit/.

²⁷ American Hospital Association, *The State of America’s Hospitals: Taking the Pulse* (Washington, D.C., 2005); and *Freedonia Focus on Health Care Overview* (2005), ff.

²⁸ The Henry J. Kaiser Family Foundation, *Medicaid and Long-Term Services and Reports Explore Long-Term Care Issues Included in the Deficit Reduction Act* (2006); American Hospital Association, *The State of America’s Hospitals* (2005), op.cit.; and *Freedonia Focus on Health Care Overview* (2005), op.cit., ff.

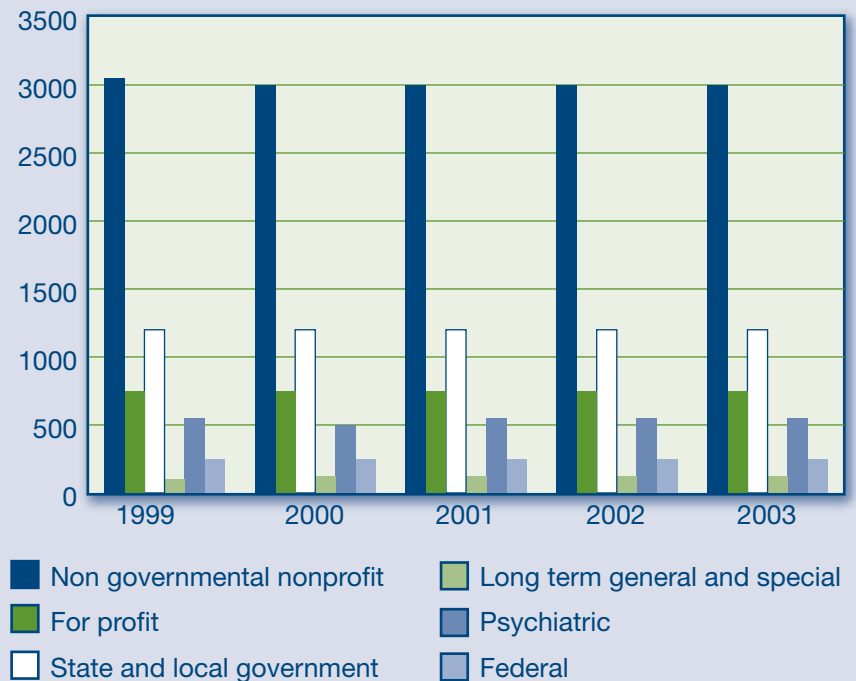
reducing federal overpayment for prescription drugs. The act will also give governors more flexibility to design Medicaid benefits and reduce the ability of Medicaid recipients to transfer their assets. Importantly, about \$20 billion of the \$36 billion cut would come from reducing automatic payment increases to hospitals and other institutional providers, such as ambulance services and skilled nursing facilities, while the rest will spread across other forms of care.

With demand for care on the upswing, particularly in aging services, all institutional providers now face overcrowding and workforce shortages projected to reach crisis proportions in the next decade. All of this has taken place as skyrocketing costs for liability insurance, pharmaceuticals, and other supplies have placed additional pressure on health-care providers in both not-for-profit as well as for-profit facilities.

While the number of hospitals continued to decline between 1999 and 2004, the number of facilities providing primary medical services actually increased by 1.6% per year during the same period. Skilled nursing homes, assisted living facilities, and other general and specialty clinics contributed to that expansion to meet the needs of increasing numbers of America's elderly.

Office-based physicians now provide nearly 2 billion consultations to Americans yearly. The dental industry has expanded as well, not

Figure 13 ■ Number of Hospitals by Type



only providing preventive and restorative dental care but also the cosmetic enhancements aging Americans increasingly demand. At the same time, home health care agencies have gained by offering a lower-cost alternative to hospital care. Retail pharmacies, in turn, continue to provide immediate service to consumers unwilling to wait several days for the medications more and more Americans receive through mail-order prescription houses.

Escalating Health Care Costs Remain a Challenge

In the meantime, national health-care expenditures continue to climb in the United States (at a rate of 8% per year between 1999 and 2004), and now surpass \$1.8 trillion annually (see Figure 14). During 1999, those expenditures represented 13.2% of the gross domestic product.

In 2004, they reached 15.3% of GDP. That five-year growth rate surpassed the 5.5% annual rate between 1994 and 1999, and forecasters predict similar increases over the next 5- and 10-year periods. Two significant factors have contributed to mounting health-care expenditures despite efforts to control costs: the expanding medical needs of the United States' aging population; and double-digit increases in prescription drug costs, medical research spending, and government administration and net insurance costs. As a result, a highly fragmented, multiple-payer system of public and private plans now covers approximately 84% of the American population, with health-care funding provided by Medicare, Medicaid, the Veterans Administration, and private insurance companies. The remaining 16% of Americans have no insurance

but can receive emergency treatment through public assistance programs.

Although spending remains highest for hospital care, physician and clinical services, prescription drugs, and nursing home care, expenditures continue to rise rapidly in dental and other professional services, home health care, non-durable medical products, durable products such as eyeglasses, hearing aids, orthopedic appliances, and wheelchairs, other personal health care, medical research, medical facilities construction, and other government activities.

**Frustrated Buyers
Increasingly Seek Alternatives
and Lower-Cost Solutions**

Americans, frustrated with the inability of traditional medicine to meet their expectations, needs, and desires, have increasingly begun to explore complementary and alternative medicine (CAM). Built upon complete systems of theory and practice separate from conventional medical approaches, the five domains of CAM include: homeopathy and naturopathy; biologically based therapies that use substances found in nature (such as

herbs, special diets, and vitamins taken in doses outside those used in conventional medicine); energy therapies that involve the use of magnetic and/or bio-fields (which some believe surround and penetrate the human body); manipulative and body-based methods, including massage therapy, chiropractic care, and osteopathy; and mind-body medicines, such as yoga, spirituality, and relaxation therapy, all of which use a variety of techniques designed to enhance the mind’s ability to affect bodily function and symptoms of fatigue and stress.

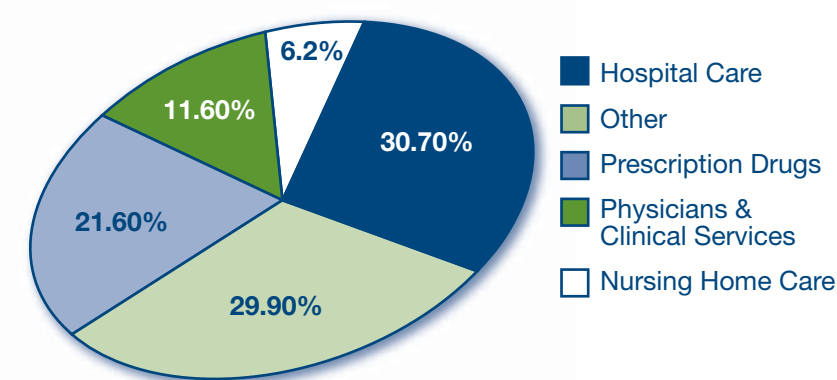
According to the Centers for Disease Control *Advance Data Report*, more than 36% of American adults use some form of CAM. Moreover, CAM knows no class, ethnic, gender, or racial background, although, according to the survey, CAM appeals to some people to a greater extent than others, including women, those with higher educational backgrounds, people who have recently experienced a hospital stay, and former smokers. With CAM growing in popularity across a wide and diverse spectrum of the population, the American Hospital Association Health Forum recently reported that nearly 17% of all American hospitals now provide CAM services (up from just 7.9% in 1998), and that the highest demand services include massage therapy (78%), pastoral counseling (62%), stress management (61%), and yoga (58%).

Importantly, a major substitution switch has involved

Figure 14 ■ National Health Expenditure Trends



National Health Expenditure, 2004 (\$1.79 trillion)



inpatient care to outpatient alternatives. Although few substitute products have traditionally existed for nursing home care, home health care, non-skilled homes, retirement housing, and “domiciliaries” have started to gain traction among those aging Americans currently enjoying better health than some in their age cohorts.²⁹

The increasing power of the health-care buyer has emerged as the greatest change in the nature of the field over the past decade. Although managed care organizations purchase services in large volume and control provider choices, the increasing power of buyers has fueled system integration as well as a blurring of providers and insurers. As buyers, large employers, in particular, have gained power over managed care organizations, determining the list of organizations from which their employees can choose. Between 2000 and 2004, with a poor economy and diminishing profits, employers searched for low-cost solutions to ease the burden of health-care costs. At the same time, empowered patients have become a significant presence in health care sector. As savvy and increasingly confident Internet users with access to multiple media outlets, patients have begun to challenge paternalistic health-care organizations, and increasingly expect to participate as partners in their own and their family members’ health-care needs.

In the nursing home industry, these tech-savvy and “informed” consumers have merely exacerbated what has long been a buyer’s market. Indeed, with the government as the industry’s major customer—purchasing more than 45% of nursing home care and regulating reimbursement procedures as well as the industry as a whole—the government has made comparison shopping prevalent among public and private-pay customers, providing abundant on-line and mail-order information to assist those seeking to understand their options. Although product differentiation can make an enormous difference, relatively low switching costs and government involvement have served to increase the buyer’s market for nursing home care.

Barriers to Entry Remain, But Every Industry Segment Has Become Highly Competitive

Several important barriers either make it difficult or provide disincentives for new players to enter the aging services field. For one thing, as powerful “suppliers” of patients, physicians and other health-care professionals have largely maintained their traditional gatekeeper role over the health-care system, and continue to play crucial roles in controlling consumer choices. Although labor serves as the major supplier in nursing homes and other facilities, most who work

in long-term care have selected the field to satisfy their need to care for others or to make a contribution rather than to earn large salaries. When combined with American perceptions about serving the elderly, relatively low salaries have created labor shortages rather than a glut of new entrants anxious to penetrate the field.

At the same time, federal and state governments have provided other disincentives. For example, Certificate of Need (CON) laws and regulations have created significant barriers in those states requiring them. CON stands as one of the central reasons that MedCath, based in the southeast, began to build heart hospitals in the midwestern and southwestern states where no CON regulations existed. In addition, while recent system integration and hospital consolidation provided economies and cost advantages for large players, it discouraged many innovators from entering the field. In managed care, similar efforts to create cost efficiencies limited market entry as well, although opportunities do exist to add service categories.³⁰

Despite barriers to entry, the fields of health care and aging services have become intensely competitive over the past decade, and promise to become more so in the days ahead. The hospital industry, historically populated by both a community of charitable institutions associated with religious

²⁹ Patricia M. Barnes, et al., “Complementary and Alternative Medicine Use Among Adults: United States 2002,” op.cit.; and American Hospital Association, “Chapter 3: Service Area Competitor Analysis,” op.cit., ff.

³⁰ Barnes, et al., op.cit., ff.

organizations or universities, as well as for-profit enterprises, has created a mixture of philosophical missions that occasionally erupts into fierce local struggles over which organization will get to offer expensive diagnostic and therapeutic services. At other times, these same institutions show remarkable displays of cooperation on issues such as community disaster planning.

Of course, much depends upon available resources and markets served; however, many analysts lump organizations serving completely different markets together because they tend to display similar strategic postures. For example, a pediatric group practice affiliated with a children's hospital and a community health clinic emphasizing preventive and well care may serve the same population but do not compete directly due to different market foci. Still, consolidation has tended to create competition between large for-profit and not-for-profit systems; and because many markets have supported too many managed care providers in the past, strategic stakes have become exceedingly high. As a result, most experts agree on the likelihood that many providers will not survive future consolidation, increasing intense rivalries.

Although the current moratorium on additional beds within specific geographic areas has limited the supply of nursing homes and other long-term care facilities, and regulations will continue to

make it costly to enter the market even after the moratorium lifts, sharp competition has surfaced in the areas of process and quality. When regulators lift the moratorium, hospitals may emerge as the most aggressive new entrants. Attempting to compensate for decreasing occupancy rates, and with switching costs low between acute and long-term care, hospitals already enjoy economies-of-scale in terms of access to distribution channels and nursing. They have familiarity with regulations and the capabilities necessary to convert acute care beds into long-term care.

Despite these concerns, long-term care facilities have avoided much of the fierce competition that characterizes every other sector of the industry, and relatively stable market shares have dominated. Because long-term care facilities offer quality and dollar value, many consumers deem the switching costs too high. Moreover, because long-term care remains highly regulated, little diversity among competitors has appeared. Thus, although long-term care has reached a maturing stage, it remains a rapid-growth field driven by the graying of America and the ongoing deterioration of the extended family. In such an environment, high fixed assets (which make exit difficult and success important) and the scramble for scarce resources stand as the most significant factors creating rivalry.

Health Information Technology (HIT) and Innovations in Health Care Promise to Drive More Change

The health-spending disparity in the United States could widen as other countries begin to reap savings from national Health Information Technology (HIT) systems. No firm data exists to quantify potential savings, but some calculate that the adoption of electronic health records could product efficiency and safety savings over the next 15 years of \$142 billion in American physicians' offices and more than \$370 billion in the nation's hospitals. Of course, such long-term savings come with a hefty initial price tag. Establishing a national HIT network would cost the United States an estimated \$156 billion over five years, capped by an additional \$48 billion in operating costs.

Although President Bush established the Office of the National Coordinator for HIT (ONCHIT) in 2004, and budgeted \$50 million in new funds to support ONCHIT efforts during fiscal year 2005, Congress failed to pass the appropriation. As a result, ONCHIT has relied on funds earmarked for patient safety and other miscellaneous funds directed from the Agency for Healthcare Research and Quality (AHRQ). During early 2006, the Wired for Health Care Quality Act, the most prominent HIT legislation under discussion, passed the Senate. Referred to the

House on Jan. 6, 2006, the Act would codify the creation of ONCHIT, establish a collaborative to adopt HIT standards, and authorize grant programs to encourage adoption. The bill would also authorize \$125 million in FY 2006, \$155 million in 2007, and “such sums as necessary” for 2008 through 2010.

Initial funding requests represent but a small portion of the resources needed to create a fully operational HIT system. Once implemented, though, such a system would ultimately transform record keeping at both the organizational as well as clinical levels throughout the health-care field, streamlining functions and lowering costs.³¹

In addition to HIT, recent innovations in biomedicine seem poised to revolutionize medical practice. Although the consequences of recent breakthroughs in fundamental biology—including landmark sequencing of the human genome—remain impossible to predict with any certainty, the biomedical community appears confident that unprecedented advances in our ability to prevent, detect, and treat disease are within reach. If their convictions turn into realities, we will witness striking improvements in population health and, if one believes the most optimistic forecasts, a concomitant decrease in the total resources devoted to medical care. But one

must temper this optimism with the pressing demographic trends discussed earlier, as well as with the alarming increases in obesity, diabetes, and other diseases and disabilities affecting younger populations.³²

As healthier people live longer, cumulative Medicare spending varies little with a beneficiary’s disease and disability status upon entering Medicare, but 10 of the most promising medical technologies also promise to increase spending significantly. When we consider the rise in volume and intensity of health services, health-care spending could spiral out of control. As a result, it is hard to imagine that a “silver bullet” will emerge that will simultaneously improve health and dramatically reduce medical spending.

Major change has begun to result from advances in telemedicine (the integration of telecommunications, information, human-machine interface, and medical technologies to enhance delivery of health care), particularly in remote areas experiencing a shortage of physicians and nurses to meet patient needs. Indeed, technological advances in telemedicine have already enabled health-care providers to attend to several patients remotely at the same time with unified, collaborative communication solutions that allow for audio and video communication, web access, and data/image transfer in a single, stand-alone

monitoring system. Other emerging applications—such as e-prescriptions—will also make life easier for doctors, allowing them to spend most of their time providing better patient care rather than writing prescriptions. In turn, patients, particularly the elderly, will have the ability to sidestep the hassles of endless visits to and long waits at clinics and hospitals.

As we all know, technologies bring more than benefits; they also bring risks, particularly those centered on privacy concerns and safety. As a result, innovators are under pressure to develop solutions that meet ever-changing customer needs (including ease of use), as well as industry standards, insurance requirements, and privacy and other regulations. Indeed, with hospital environments succumbing to the paperless world, urgent demands for secure wireless networks already exist to meet rigorous standards of cryptographic security.

Private-sector health programs—from managed care, to employer-provided health insurance with tax benefits, health-care purchasing cooperatives, and individual health insurance without tax benefits—have also changed the health-care landscape, and promise to transform it again in the future as more and more companies shift the burden to employees. At present, nearly nine out of 10 workers or their dependents have managed

³¹ Gerard F. Anderson, Bianca K. Frogner, Roger A. Johns, and Uwe E. Reinhardt, “Health Care Spending and the Use of Information Technology in OECD Countries,” *Health Affairs* 25:3 (May/June 2006):819–31, ff.

³² Dana P. Goldman, Baoping Shang, Jayanta Bhattacharya, Alan M. Garber, Michael Hurd, Geoffrey F. Joyce, Darius N. Lakdawalla, Constantin Panis, and Paul G. Shekelle, “Consequences of Health Trends and Medical Innovation for the Future Elderly,” *Health Affairs* 10.1377/hlthaff.w5.r5 (September 2005).

health-care coverage, whether with HMOs or with Preferred Provider Organizations (PPOs). Moreover, 64% of all Americans (some 177 million) receive health-care coverage through the workplace, with employers currently paying most of the premiums and requiring employees to pay their share through payroll deductions.

An increased number of public and private organizations have emerged to secure health insurance coverage for the workers of all member employers—not only to consolidate purchasing responsibilities to obtain greater bargaining clout with health insurers, plans, and providers, but also to reduce the administrative costs of buying, selling, and managing insurance policies. And, finally, Americans have witnessed the introduction of more state-regulated insurance plans for individuals not covered by employer-sponsored group programs.

The health of the elderly has improved in important ways since the 1980s, yet the increased prevalence of disease and disability in the young could also lead to a less healthy cohort entering the Medicare system over time. Although the effects of these trends remain unclear, improvements in health will not only allow the elderly to live longer, but ultimately to incur greater health-care costs as well. Thus, according to recent studies, it appears that the technologies most

likely to become widely adopted over the next decade will include those addressing cardiovascular disease, cancer, neurological disease, diabetes, and general aging. Whether or not further breakthroughs take place in cancer diagnosis and treatment, or in Parkinson's and Alzheimer's disease, remains to be seen. But technological innovations will not only transform health care as we know it; it will also profoundly affect the talent pool, and the educational institutions charged with training the next generation of service providers.

Key Challenge #4: From Where Will The Necessary Talent Come? The Significant Workforce Supply and Demand Gap Continues to Widen

Among the manifold issues we face, few can dash the hopes or daunt the courage of even the most stalwart aging services provider more than the significant workforce supply and demand gaps currently visible in the acute, long-term, and primary health-care sectors, a problem made all the more striking when one ponders all three sectors in rural areas of the United States. A high labor demand exists for various levels of health-care personnel, including nurses for every sector, laboratory technicians, rural physicians, pharmacists (including aides and technicians), respiratory therapists, radiologic technicians, nuclear technologists, information technicians, laboratory technologists

and technicians, and, importantly service managers and non-professional and technical support staff. But from where will the supply spring? This question—along with wondering whether or not Baby Boomers will speak up and become a political force to reckon with as an aging population—remains one of the critical uncertainties of our time.³³

Nursing homes, assisted living facilities, and home health agencies all require qualified staff to provide suitable quality care and services, yet a tight labor market, non-competitive wages, negative public perceptions about the field, and limited opportunities for career advancement hamper our ability to attract rank-and-file staff as well as managers and leaders.

The number of licensed RNs living and working in the United States during 2004 totaled 2,909,467, an increase of 7% (or 212,927) above those estimated during 2000. Although higher than the 5.2% increases reported between 1996 and 2000, when the RN population increased by 137,666, the total number remains lower than the estimated 14.2% (319,058) increase that took place between 1992 and 1996 (one of the highest rates of growth since 1980). Of the total pool, 83.2% of all licensed RNs actually worked in nursing during 2004, while the other 16.8% found employment elsewhere. Of the 83.2% employed as nurses, 70% worked full-time.

³³ For labor statistics, see, in particular, United States Department of Health and Human Services, *2004 National Sample Survey of Registered Nurses*, at <http://bhpr.hrsa.gov/healthworkforce/reports/rnpopulation/>; and <http://www.bls.gov>, ff.

SCENARIO TREND AND CHALLENGE:

Current management teams will lack the skills to lead a diverse workforce with complex work arrangement expectations.

The potential workforce complexities that are emerging in today's aging services environment may indeed become more challenging during the next decade. To ensure management's ability to lead a more diverse and complex workforce, the Commission on Accreditation of Rehabilitation Facilities (CARF) believes the following to be critical:

- Focusing on a person-centered approach so that a diverse workforce is supported in its effort to provide quality services
- Collecting the right data to understand the needs and preferences of the workforce
- Turning data into meaningful information and using it to drive decisions and focus resources appropriately
- Using a systematic approach like accreditation to support the aforementioned

In a person-centered culture, an organization's policies, procedures, and priorities promote the individuality, dignity, and quality of life of every person—residents, staff, managers, and families. Studies have shown that this approach leads to greater workforce satisfaction. A key dimension of quality of life is the social bond between caregivers

and recipients of care, which both drives devoted caregiving and is strengthened by it. To be successful, managers must create a quality work environment that respects all staff, encourages them to learn and grow, and sets them up for success. The care environment can be person-centered only when it is supported by a person-centered work environment.

Needs, expectations, and preferences evolve and change as do new methodologies of caregiving. Managers must be knowledgeable about changes and innovations in providing care and also be in tune with expectations of persons receiving services, families, staff, community, and regulators. An informed and enlightened manager is not overwhelmed by the diverse streams of data, but knows how to turn data into information, to put them in perspective, to focus on the critical, to see how they link with and affect other data, to devise plans of action, and to implement them. The problem for leaders is not having too little data but rather not being able to discover the information that is hidden within it; in short, many leaders are data rich, but information poor. Deciding how to analyze and link the data relative to

the expectations of a diverse workforce is the challenge they will face.

To create caring, person-centered relationships, managers have to create supporting structures and processes. Among these are: consistent staffing, involvement of staff in the planning of care, promoting staff development, and supporting staff empowerment. To know the effectiveness of these structures and processes, managers should be familiar with the measures that track them over time. Included are measures of: staff satisfaction, staff turnover, staff stability, staff retention, absenteeism, and consistent assignments of staff. Without data that has been turned into information, managers will not be able to meet the expectations of a diverse workforce effectively. Armed with valid and reliable information, however, managers can be more successful in this important work.

CARF accreditation standards create a framework that managers can use to design and sustain an organization's system for supporting a diverse workforce with complex work arrangement expectations—a key challenge aging services providers will face in the coming decade.

— CARF

Average Annual Salaries Serve as a Major Disincentive to Future Recruitment

The *National Sample Survey of Registered Nurses* for 2004 revealed that “real” average earnings (average earnings inflated by the Consumer Price Index for the years 1980-2004) have declined over the past 25 years. Although the actual average annual earnings of RNs employed full-time in 2004 stood at \$57,785 (compared to \$46,782 in 2000 and \$17,398 in 1980), when one takes actual purchasing power of the dollar into account utilizing the CPI, “real” wages for registered nurses look less rosy (a mere \$26,366 in 2004, compared to \$23,369 in 2000 and \$17,398 in 1980). Indeed, when looking at the statistics more realistically, real salaries have remained relatively flat for RNs, particularly for the years 1992 through 2000.

Insufficient Diversity in the Field Has Served to Exacerbate Staffing Shortages

In the meantime, the trend toward an older age cohort among nurses has continued. In March 2004, sample surveys estimated the average age of the RN population at 46.8 years (more than a year older than estimated in 2000, and more than four years older than estimated in 1996). Moreover, the percentage of nurses over 54 years of age has increased, from 17.2% in 1980 to 24.3% in 2000, and now reaching 25.5% of the entire nursing population. At the same time, married (70.5%) non-Hispanic white females (88.4%) continue to dominate the profession. The percentage of nurses who received basic nursing education and practical training outside the United States has remained relatively constant since 2000.

No matter their age, gender, marital status, or ethnicity, the majority of RNs (52.1%) have children or other adult dependents living at home. An additional 14.8% have other dependents who do not currently live at home. If we fail to address these challenges, our future will depend on a shrinking group of aging women incapable of caring for diverse and expanding aging populations.

