Will boomers bust the budget?

A new study by UC Berkeley, reveals California is facing a confluence of issues that will put enormous strain on the ability to care for seniors.

An unprecedented growth in the senior population, longer life expectancies, poorer overall baby boomer health and inadequate infrastructure in the form of care facilities all point to delays in care, unmet needs and skyrocketing costs for both the state and individuals.

Why

Just as the state of California seems to be climbing out of a three-year budget crisis, an unprecedented senior tsunami could nearly double Medi-Cal long-term care costs over the next decade (from $6.6 to $12.4 billion) that could seriously impact the ability of the state to pay for other services like schools, corrections and transportation.

When

The study looks forward a decade to 2023, and its projections are based upon 2010 U.S. Census Bureau data, 2010 institutionalization rates and 2005-2010 Medicaid long-term care services and supports data.

How

This report examines the projected growth of the state's elderly population, the growing demand for institutional and non-institutional long-term care and the cost of care to individuals and the state. All of these factors were weighed to determine the social and economic impact of California's aging population and those needing long-term care in the coming decade.

Who

The study was conducted by the Division of Health Policy and Management, University of California, Berkeley.

Key Findings

• With the large baby boomer generation now retiring, California will see an unprecedented 44 percent increase in seniors over the next ten years, jumping from 4.8 million today to 6.9 million by 2023.

• The enormous growth in the senior population, longer life expectancies, poorer overall baby boomer health and inadequate infrastructure in the form of care facilities will put overwhelming strain on the ability to care for seniors.

• As the senior population grows, California can expect delays in care, unmet needs and skyrocketing costs for both the state and individuals.

• The total cost of long-term care is projected to increase 88 percent in the next decade—from $6.6 billion in 2013 to $12.4 billion in 2023. Long-term care costs may increasingly cut into public spending on other state priorities such as education, corrections and transportation.
CALIFORNIA’S ELDERLY POPULATION

- California is home to the largest senior population in the United States, with 11 percent of its population over the age of 65.¹
- Over half of seniors, ages 65 years old and older, are overweight or obese (61.4 percent).²
- Over the next ten years, California’s elderly population is expected to grow by 44 percent, from 4.8 million to nearly 6.9 million individuals over the age of 65. In the previous decade (2000-2010), the number of people age 65 and older grew only 18 percent.¹
- Among the population age 85 and older, those who are most likely to need long-term care services and supports, is expected to increase by 24 percent by 2023, growing from 650,000 to 803,000 individuals.³
- The average life span in California is 80.4 years, the third longest life expectancy in the country. A longer life expectancy is associated with greater need for long-term care services and supports.³

THE NEED FOR CARE

- The number of residents in institutional care is projected to increase by 31 percent by 2023, from 102,000 to 134,000 individuals.⁴
- Nursing home demand is expected to increase 47 percent for 65 to 84 year olds.⁴
- Participation in Medi-Cal’s home and community based services (HCBS) increased by 45 percent in a six-year period.⁵
- Eighty-eight percent of long-term care is provided by family and friends who give care without compensation.⁶

FISCAL IMPACT

- Out of the $40.8 billion spent on Medi-Cal in 2009, nearly one-third ($12.8 billion) was spent on long-term care.⁷
- Under a high cost growth scenario, the total public expenditures for long-term care could be expected to increase 88 percent over the next decade — from $6.6 billion in 2013 to $12.4 billion in 2023.⁷
- California’s public spending on non-institutional care rose 500 percent in the last decade, from $1.2 billion to $7.3 billion.⁸
- In 2010–2011, California spent an estimated $12.8 billion, or 15 percent of the General Fund, on Medi-Cal.⁹
- Medi-Cal spending on long-term care comprised approximately 10 percent of the state’s 2009–2010 budget.⁷
- Employers may also experience employees cutting back on work hours or stopping work entirely due to caregiving requirements, as most caregivers (69 percent) report having to make these types of work accommodations.¹⁰

² 2011-2012 California Health Interview Survey.
³ The Scan Foundation, “Growing Demand for Long-Term Care in California (Updated)” Fact Sheet, June 2012, <www.thescanfoundation.org/sites/scan.tmp03.iudux.net/files/CA_Growing_Demand_for_LTC_June_2012_FS.pdf>.
⁴ RAND California “California Long Term Care Statistics,” 2002-2010, Office of Statewide Health Planning and Development.
**WILL BOOMERS BUST THE BUDGET?**

**PROJECTIONS**

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**FIGURE 1: PROJECTED PERCENT GROWTH IN CALIFORNIA’S POPULATION, 2010-2030**

![Graph showing projected population growth](image1)


**FIGURE 2: PROJECTED DEMAND FOR INSTITUTIONAL CARE IN CALIFORNIA, 2010-2030**

![Graph showing projected demand for institutional care](image2)

*Notes:
(1) Included in the definitions of institutionalized care are skilled nursing facilities, intermediate care facilities, intermediate care facilities/developmentally disabled and congregate living health facilities.
(2) Estimates are based upon institutionalization rates in 2010 and projected forward according to increases in California’s aging population. A variety of factors (e.g., changes in health care delivery, changes in public and private funding, etc.) could potentially impact these estimates, which have not been taken into account.*

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**FIGURE 3: PROJECTED INSTITUTIONAL CARE EXPENDITURES IN CALIFORNIA, 2010-2030**

![Graph showing projected institutional care expenditures](image3)

*Notes:
(1) Costs include nursing home services, mental health facility services and intermediate care facilities for developmentally disabled people.
(2) 0% cost growth reflects growth of the elderly population, leaving real per capita growth unchanged; 1.7% cost growth allows costs to increase at the level of real GDP + population aging; 3.7% growth assumes cost growth increases 2% faster than real GDP per capita, reflecting historical health care growth rates, as reported by Chernew et al. 2009. We do not add in Chernew’s additional 0.43 demographic adjustment, as it has already been incorporated into our age projections.*

*Source: Medicaid long term services and supports data from 2005-2010 serve as benchmarks for projections for 2010-2030. Dollar amounts have been adjusted to 2012 dollars. [www.hcbs.org/files/208/10395/2011LTSSExpenditures-final.pdf]*

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**FIGURE 4: U.S. PROJECTED PREVALENCE OF OBESITY, 2010-2030**

![Graph showing projected obesity prevalence](image4)

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The Health Policy and Management (HPM) Division is designed to address the rapid changes occurring in the organization, financing and administration of public health and medical care systems. The HPM Division trains creative leaders and policy analysts to understand the complexity and dynamics of the health system and its impact on the health of the population. The dissemination of new knowledge contributes to efforts to improve the availability, affordability and effectiveness of health services, and develop policies that reinforce these objectives.

CALIFORNIA PARTNERSHIP FOR LONG-TERM CARE

Established in 1994, the Partnership, a program of the Department of Health Care Services (DHCS), is dedicated to educating Californians about planning ahead for the possibility of long-term care. The Partnership works with select private carriers to offer high quality policies as an option to fund that care. For an independent, straightforward look at the facts, costs and emotional challenges of long-term care, visit www.RUReadyCA.org.