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Planning for an aging population

Experts discuss how an aging population will affect many facets of our societies—and will require new partnerships among all types of stakeholders.

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According to the World Health Organization, "Global average life expectancy increased by 5.5 years between 2000 and 2016, the fastest increase since the 1960s."[1] Greater longevity presents individuals, employers, and policy makers in the United States with significant opportunities to help older citizens live more purposeful, productive, and satisfying lives. Scientists are making progress in tackling diseases associated with aging, and innovators are unpacking the aging process itself, leading to meaningful discoveries about the biological mechanisms connected with long life. With many people now expected to live into their eighties or beyond, societies are set to benefit from their wisdom, energy, and perspectives.

However, there will be many new challenges to face and questions to answer: How will the workplace adapt to an older workforce? How will financial planning adapt to longer periods of retirement? How will healthcare adapt to more complex and extended chronic care? And what role will government play in meeting these challenges?

To go deeper into the topic, McKinsey & Company assembled some of the leading experts to discuss the challenges and opportunities associated with aging, as part of the Imagine Get Together series held by McKinsey's Boston office and the McKinsey Center of Government. Imagine Get Togethers are salon-style events, each focused on an innovative, cross-cutting topic, that bring together New England–based leaders of industry, academia, and the public sector. The fall 2019 event, "The Future of Aging," focused on the complex issues and challenges arising from an aging population. In the eyes of many attendees, a potential crisis looms as society struggles to deal with shifting demographics, a greater prevalence of chronic disease, and the increasing complexities of financing high-value healthcare. "Look around the room, because one out of every three of us, if we reach the age of 85, is going to have Alzheimer's disease," noted attendee Laurie H. Glimcher, MD, president and CEO of Dana-Farber/Harvard Cancer Center. "We're spending $250 billion right now just taking care of Alzheimer's-disease patients. That's going to be over $1 trillion by 2050—enough to take down the entire US healthcare system."

Still, there have been meaningful private-sector initiatives and developments in public policy and research. An important part of offsetting the potential crisis is investment. Event participants discussed the financing landscape, recent scientific breakthroughs, and new ideas about how to encourage investment and democratize innovation.

Following are highlights of the event speakers' remarks as well as portions of the question-and-answer sessions that followed. These excerpts illuminate how an aging population will affect many facets of our societies—and will require new partnerships among all types of stakeholders.

On the demographics of aging

Jan Mutchler, PhD, Department of Gerontology, McCormack Graduate School; Director, Center for Social and Demographic Research on Aging, Gerontology Institute

We are living longer. My dad was born in 1926 in the back bedroom of an Ohio farmhouse that did not have indoor plumbing. At that point, the average life expectancy was around 50 years. Still, some people lived into their eighties then, so there was a huge spread of how long people actually lived. Now, nearly 100 years later, babies born in the United States can expect to live on average about 80 years—30 years more than in my dad's time. Moving forward, that means we are going to have a lot more very old people in our society.

Now, what's the problem with living longer? People are worried about numerous issues, from having enough money to losing their homes, friends, and health. We hear concerns around dementia and cognitive decline. We have to think about all these things.

[1] Global Health Observatory data, World Health Organization, who.int.

The problems go beyond those related to longevity, however, to issues of age distribution and how societies work. By 2035, there are going to be more people in the US who are age 65 and over than there will be children under 18. This puts pressure on the workforce and social services, and it is a gap that is not really going to be remedied by modifying the mortality part of the story. Fertility is the biggest factor, which comes down to having more children or allowing more immigrants into the country. Moreover, there will also be a lot of variability among communities, with some having much higher proportions of older people than others. Our task now is to think about how to design US communities, in terms of housing, transport, and services, so that they can cater to these shifting demographic trends and meet the needs of older people.

Q&A highlights

The need to increase US birth rates while balancing some negative implications, such as climate impact or financial burdens on parents, was discussed. While Dr. Mutchler issued a challenge—"The problem is not that we have too many old people. The problem is that we're not set up properly for this many old people"—she also noted that countries with a strong sense of community, or collective responsibility, are tackling these issues most effectively. She cited Scandinavian countries. A participant noted that many of the most effective, although most expensive, policies to encourage birth rates provide financial support to parents, which is one of the biggest determinants of whether people have additional children.

On state funding of aging in the community

Elizabeth Chen, PhD, MBA, MA, Secretary of the Massachusetts Executive Office of Elder Affairs, Commonwealth of Massachusetts

My task this evening is to frame the debate through the lens of state government. We hear a lot about the aging crisis. However, I am not sure that is the right perspective. We should be charging forward. We should be running in and looking at the issues as opportunities and not as potential crises to be feared.

No doubt, we are all living longer—because of better healthcare, less smoking, use of seat belts, etc. As Jan [Mutchler] indicated, societal structures must change to meet the needs of a population that will have a lot more older people.

We are fortunate that the Commonwealth has recognized the need to address services for an aging population for a long time. The Executive Office of Elder Affairs was created in 1971. Our annual budget is close to $600 million per year; and a large portion is dedicated to taking care of people at home. More and more, people want to continue to live in a community instead of an institutional setting. We see this with 60,000 individuals receiving home-based care through our programs, as well as through growth in both the assisted living and independent senior living communities.

One key challenge we face is the extremely high turnover rate in the direct-care workforce for home-based care. We are working on that—for example, tackling structural elements like the lack of guaranteed hours and lack of pensions—because most of the workers come from agencies that do not offer these kinds of benefits.

Q&A highlights

The conversation focused on how to address cross-cutting problems, such as mental health. Dr. Chen noted that there is a cross-agency effort focused on improving access to mental health care led by a group comprising individuals from the Massachusetts Department of Public Health, Department of Mental Health, MassHealth, and Elder Affairs. A participant raised the issue of partnering with industry to expand state–federal healthcare partnerships, such as PACE.[2] Dr. Chen said that there are many ways to partner with

[2] The Program of All-Inclusive Care for the Elderly (PACE) is administered by MassHealth (Massachusetts' Medicaid program) and Medicare to provide a wide range of medical, social, recreational, and wellness services to eligible participants. One does not need to be on MassHealth to enroll in PACE.

industry and that PACE is a great model. In housing, public–private partnerships are particularly attractive for creating affordable living options with services for older populations, she said. Her agency delivers most of its services through 26 regional Aging Services Access Points, each a private nonprofit entity.

On the innovation landscape

Declan Doogan, MD, Chief Medical Officer, Juvenescence; Chairman, Biohaven Pharmaceuticals

Life expectancy has increased significantly over the past 30 years, driven by numerous innovations, both medical and otherwise. I would like to focus on the notion of "health span." We have many tools today that can improve the health of many people who are aging.

Right now, the United States does not have a healthcare system; it has a disease-management system. I would argue that we can go much further and look to build a preventive-medicine system. It would not be easy, but there are certain very simple things we can do.

At Juvenescence, we have assembled teams of scientists who are tapping into knowledge on how you can improve prospects for healthy aging. In the industry, we have gained knowledge about pathways. A lot of it, interestingly, revolves around insulin-signaling, metabolism, and the immune system—as we age, our immune surveillance weakens. Others are lifestyle related, with studies emerging on calorie restriction, sleep, and stress management.

There is this concept of the epigenetic clock to measure the rate at which you are aging relative to your chronological age. There is a large study in the planning looking at the impact of metformin, an antidiabetic medication that may retard the aging process.[3]

Just now in the United States, of the total life expectancy, roughly 11 years is spent in what we call nonhealthy life. Much can be done through therapeutic research to improve the healthy percentage of total longevity.

Q&A highlights

Finding a "pharmaceutical solution" for aging will be tough. Dr. Doogan pointed out: "The problem is that there has to be a definition of what aging is. Epigenetic clocks can contribute, but there must be evidence on the manifestations of aging, probably looked at through a disease lens." Thus, teasing out the impact of a pharmaceutical solution for a disease versus one for slowing down an age clock will be very difficult to agree on. When asked if we should focus on increasing the life span, as opposed to increasing the health span, even if for a shorter life, Dr. Doogan noted, "We're not suddenly going to stop living longer," but "we have to work extremely hard to improve, by whatever measure, the healthy percentage of the total longevity." These efforts will be in the form of direct disease prevention but also include factors such as stress management, a focus on the gut microbiome, diet changes, and treatment of mental health issues. Recent developments in science, said Dr. Doogan, provide reason for optimism that people can live healthier lives, both physically and mentally.

On financial planning and the workplace

Phil Waldeck, Chief Transformation Officer, Prudential Retirement

We're talking about some of the wonderful aspects of aging and how to make living longer more fulfilling. But, to do that, there's a financial aspect that our society has not yet tackled. There is an enormous pension gap. And that pension gap, like debt, is an obligation that our society needs to navigate.

Americans are already financially stressed. More than two-thirds of Americans do not have

[3] Targeting Aging with Metformin (TAME) trial, managed by the American Federation for Aging Research, www.afar.org/tame-trial.

$1,000 of personal savings.[4] And the extent to which Americans are undersaved for retirement is staggering. This will also have an impact on employers, because people won't be able to retire. That will create costs, particularly healthcare costs. But it will also catalyze new dynamics in the workforce—for example, blocking younger workers from their next opportunity.

Also, the dependency ratio is rising. The ratio of those working to those not working is set to move from 4:1 to 4:2.5 by 2050. That's going to create a financial burden on our children and put enormous pressure on Social Security.

This is a predictable surprise. It is coming. Yet we are not dealing with it. And it's not part of the political discourse, at least not sufficiently. Solving the savings gap and increasing dependency ratio will require higher taxes. This will be a headwind for economic growth at a time we also have lower labor supply, and probably more debt.

What we can do? First, we can expand workplace savings plans. Many large companies are already doing this, but we need to expand to smaller employers. We also need to increase the savings rate. We should create protections against longevity in terms of drawing down retirement balances, supported by legislation such as the SECURE Act.[5] And it's not going to happen without changes to taxes and benefits. All of these will need to be part of the picture.

Q&A highlights

The gig economy will have a role to play in workplace planning. It may be, under the SECURE Act, that smaller employers can pool, said Mr. Waldeck, and we need to look at how we can make employee benefits, including disability coverage, more portable. Legislative solutions, and creating a foundation that can be cost-effectively managed for smaller pools, will need to be part of these solutions. Noting the common themes of multiple speakers, a participant said that one challenge is that the cost of health insurance is rising so fast, which means people are having to take on larger deductibles for their employers to be able to afford it. With the average family health plan now costing $20,000 a year,[6] Mr. Waldeck recognized that this is not sustainable. Beyond income inequality, he noted, "There will ultimately be health inequality and longevity inequality, which are going to create a more polarized society." Right now, in the United States, people may not be getting sufficient value for the amount of money being spent on health interventions, added Waldeck, so "we're getting a bad return on our spend, and that is crowding out wages, too."

On the end of retirement

Rosalin Acosta, Secretary of Labor and Workforce Development, Executive Office of Labor and Workforce Development, Commonwealth of Massachusetts

The labor-force participation rate for the 65-plus age group has increased by four percentage points over the past four years, so we are seeing a trend of people staying in the workforce longer, for all the reasons that we've already heard. People are worried about not having enough money. Women especially worry about money, as traditionally they have not had the same access to work as men and spend more time as caregivers, to either children or parents. People of color are overrepresented in low-income jobs, so there is concern there about having enough money to retire on.

What are the answers? A combination of things. Some public policy, for example, for paid family/medical leave. Now in Massachusetts, you have up to 12 weeks of paid leave, where you can take care of a family member who is ill. But only six states in the country offer it.

Another important thing is the way we think about what you need from an employee and what a "job" looks like. We have embarked on a project with the

[4] Cameron Huddleston, "Survey: 69% of Americans have less than $1,000 in savings," GOBankingRates, December 16, 2019, gobankingrates.com.
[5] The Setting Every Community Up for Retirement Enhancement Act of 2019 (the SECURE Act), became US law on December 20, 2019. Among its goals are increasing access to tax-advantaged accounts and preventing older Americans from outliving their assets.
[6] John Tozzi, "Health insurance costs surpass $20,000 per year, hitting a record," Bloomberg, September 25, 2019, bloomberg.com.

Federal Reserve Bank of Boston to think about job design and job quality, because that is such an important factor all employers are facing. One idea is flex time, which helps both younger workers with families and older workers. Flex time can also help employers keep some of that institutional knowledge in house by doing intergenerational mentoring. And older workers need to be made to feel they belong in the workplace—venues such as affinity groups can make a big difference.

In the end, maybe thinking about "retirement" is the wrong thing. In my view, there is no such thing as retirement anymore, and it's up to policy makers and employers to make the necessary changes to reflect that.

Q&A highlights

The conversation focused on the desirability of introducing more flexibility into the workplace, alongside measures such as improved childcare, which would boost accessibility. Massachusetts is working on expanding its apprenticeship initiatives, Secretary Acosta said, which are open to any age group. Some companies have launched "returnship" programs, which encourage women who have taken a maternity break to return to work. Certainly, it makes sense to get older workers (including those over 55) back into the workforce, said one participant, because of the many benefits they can bring—but it means designing jobs so that people are not worried about losing theirs. Automation in the workplace may be a boost to older workers, commented another participant, because it can remove many of the manual tasks that currently require human input; however, retraining will be a key to helping workers manage the impact of automation on their careers.

On aging, from an investment perspective

Adam Koppel, MD, PhD, Managing Director, Bain Capital Life Sciences

Is aging really a disease? Thinking about this question led me to another: in the history of humanity, have more people died than are currently living today?

First, on aging, it's worth thinking about whether the usual disease-fighting elements are in place—the medical infrastructure, the provider element, the innovation. For example, one thing I have learned is that dementia is a more intractable problem to solve than we originally thought. Many companies are working on antibodies to be infused, but, given the high number of dementia sufferers, the infrastructure to administer infusions on a monthly basis probably does not exist today.

As investors, what do we think about when we consider an opportunity? First, we work to understand the timeline, capital requirements, and risk. Second, we determine whether we have the ability to conduct due diligence. And third, we analyze the return on our investments. When it comes to therapeutics, we also need to know what it will take to get them approved, paid for, and adopted. These are tough challenges, particularly in the field of aging. The diseases associated with aging are difficult to treat, and pharma companies struggle to make an impact.

Bottom line? I think that aging is not really a disease. I think there is a lot of beauty in aging. However, there are terrible diseases associated with aging, and there is a profound opportunity to improve the

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quality of life of millions of elderly individuals. The mission should be to improve how we live with the time we have rather than reversing or stopping aging, which is quixotic at best.

To answer the initial question, there are about 7.5 billion people living today and around 110 billion people who have died over the course of history. Which leads us to the conclusion that death is just a part of life, right?

Q&A highlights

Attendee Dr. Glimcher raised the question of how investment and research can be motivated to tackle the toughest healthcare problems. She noted that academic medical centers are a key to the solution, but they are under threat, because the cost of treating patients is rising faster than the reimbursements the centers receive. Dr. Koppel noted that the business model has to change and that innovation needs to come from many different places: "A biopharmaceutical company should be responsible for big clinical trials, regulatory approval, manufacturing launch, sales and marketing, and distribution. But there is going to be, and is becoming, a democratization of innovation. Innovation needs to come from thousands of different places because you really don't know where the innovation is going to be."

How we rethink aging in our society has been, and will continue to be, an important topic for all of us. In July 2020, the McKinsey Global Institute, in collaboration with McKinsey's health practices, released a global report that examines the history of health's impact on the economy, the changing demographics of the world population, and the opportunity afforded by interventions that enable individuals to live longer and healthier lives.[7] Making the vision of a healthy life span a reality will require a broad set of the behavioral, environmental, social, preventive medical, and therapeutic interventions that are known today as well as research into future innovations. The benefits to societies, economics, and individuals will be immense.

[7] For more, see "Prioritizing health: A prescription for prosperity," McKinsey Global Institute, July 2020, on McKinsey.com.

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