

## The Baby Boom Panacea?

### *Why the aging population may not help your business at all*

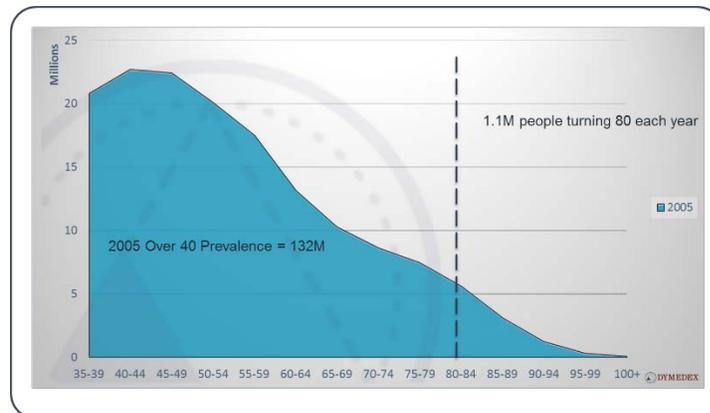
For half a century, the promise of the organic growth of the baby boomers has tantalized business developers, all keen to cash in on the thought-to-be inevitable business windfall. As boomers age and their health care needs increase, conventional wisdom has foreseen massive growth for life sciences companies.

However, few of these fortune tellers take the time to run the numbers on this anticipated “hockey stick” sales spike to determine the important specifics of how, when and to what extent those born between 1946 and 1964 might impact their business. Instead, they simply incorporate elevated growth into their forecasts, assuming conventional wisdom is indeed wise.

The truth is, the effects of the Baby Boom are intrinsically dependent on your business model. Is your product prevalence- or incidence-dependent, and how old are your key customers? Depending on the answer, the Baby Boom may fuel your sales today, or in a certain number of years, or never.

To illustrate this point, first consider the U.S. population as it existed in 2005. Approximately 132 million Americans were over the age of 40, and roughly 1.1 million were 80 years old.

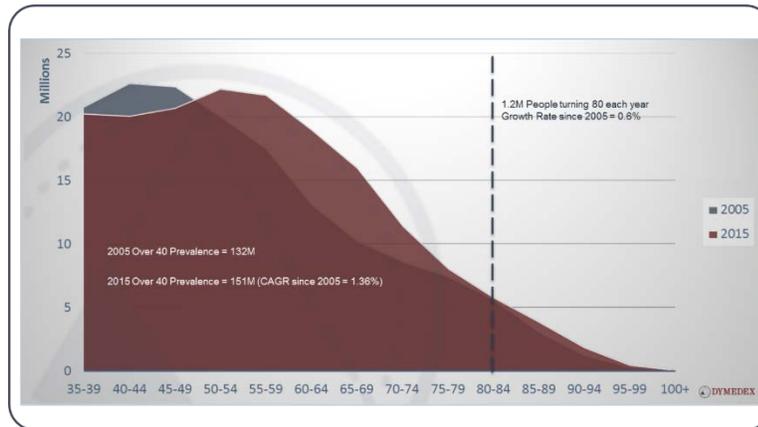
Figure 1: U.S. Population Distribution in 2005



At this point in time, the oldest boomers were 59 years old and the youngest were 41.

Now consider the changes in population as boomers aged over 10 years. As shown in Figure 2, the “bump” shown in their 40s are now in their 50s, and the number of people in their 40s has fallen. The total prevalence of Americans over 40 is now 151 million, which represents a 1.35% growth rate over the decade. But the number of people turning 80 has grown to 1.2 million, which represents a growth rate of only 0.6%.

Figure 2: U.S. Population Distribution in 2015

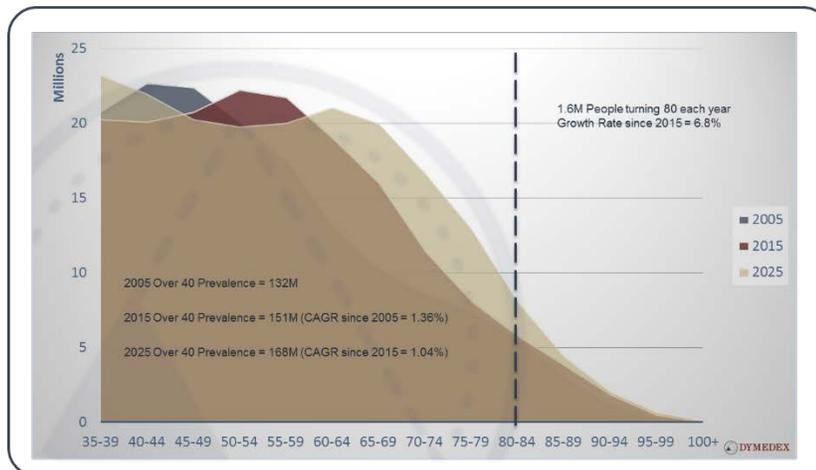


The implications of these rates are as follows. If, for example, your company provides a chronic, long-term treatment for older adults, you’ve seen steady growth of 1.36% as the prevalence of older adults increased. However, if you provide an acute or single-use therapy and your average customer is 80 years old, you’ve seen only 0.6% growth as a result of the Baby Boom.

Now, let’s look ahead to 2025.

As shown in Figure 3, Baby Boomers will be 60 to 80 years old, and the prevalence of Americans over 40 will be 168 million – a growth rate of just over 1%, which is lower than experienced from 2005-2015. This means companies providing chronic-use therapies may see a population-based slowdown in sales growth. However, if elderly patient incidence drives a company’s treatment, the forecast will change. In this case, 1.6 million people will turn 80 years old annually, because more babies were born 80 years ago and because those boomers are living longer than their predecessors. This translates into a population growth of 6.8% annually.

Figure 3: U.S. Population Distribution in 2025



Infinite variations of the above examples prove out the same conclusion. Namely, the Baby Boom impact isn't necessarily the sales spike conventional wisdom cracks it up to be. So, while the boomers can impact healthcare markets in profound ways, the aging population does not guarantee a business boom for all. Looking ahead, forecasters need to examine their own business models and the age of target customers to determine if, when and to what extent boomers may help drive sales. In other words, data, not conventional wisdom, is your best bet.

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