

Life's last chapter dynamics: How well will we care?

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Abstract: As we transform our thoughts into digital incarnations and try to make the world a better place, one pixel at a time, the time is approaching quickly for North America's baby boomers to retire. An estimated 77 million of them will soon do and some of them will be entering nursing homes. That is, if the capacity exists to accommodate their huge influx. Despite the overwhelming number of baby boomers, entrepreneurs are not stammering to build more nursing homes for the foreseen stampede of retired people, partly because a few states attempt to eliminate excess demand by increasing supply. If the state Medicaid programs refuse to warrant the creation of more nursing homes, however, then a serious problem might arise, whereby millions of baby boomers will be forced to join the extant waiting lists for nursing homes. Over the past decade, nursing home liability insurance has become the fastest growing type of insurance coverage in the US. New sales increase between 20 and 25 percent per year, while competition has pushed long-term care premiums down by 20 to 25 percent. With eleven major players in nursing home insurance controlling more than 91 percent of sales, insurance settlements reach outstanding figures. In a recent case settled in Texas, for example, an elderly man died, reportedly of neglect and malnutrition. The settlement awarded to his family was US\$250 million. The purpose of this system dynamics modeling project was to determine what insurance firms might expect from the combined effects of more people living to old age and state regulatory policy. Three computed scenarios capture the dynamic evolution of alternative behavior patterns that might play for the population in nursing homes, those waiting for nursing homes, and the profitability of insurance firms that provide liability insurance to nursing homes.