

# FLORIDA

## UNDERWRITER

### FEATURE STORY

# Crisis Looms for Florida Elder Care Services

By Sanford "Sandy" Elsass

**F**lorida's 85-and-over population is forecast to grow by 126 percent in the next 22 years, a reflection of the state's continued lure as a retirement haven and the good health enjoyed by seniors overall. In addition to this unprecedented population growth in the elder segment, a complex mix of sometimes conflicting forces is dramatically altering the long-term care facilities market and the insurers that cover them.

Operators of nursing homes and other long-term care facilities will have to change with the new demographics and demands or they'll be left behind as new approaches seize market share.

As the long-term care industry adapts to the changes inherent in an escalating senior population, liability insurance products also must change.

### Stakeholders Provide Insights

A new study of Florida's aging service needs from 2008 to 2030 revealed the looming crisis for providers of long-term care and sounded a wakeup call to facility owners and operators. The demographic and workforce study, "*Mapping the Future – Estimating Florida Aging Services Needs 2008 to 2030*," analyzes aging care demand, caregiver availability, and senior living environments. It was conducted by the research, consulting, and accounting firm LarsonAllen for Ponce de Leon LTC RRG, Inc., a provider of General and Professional Liability insurance to long-term care facilities in Florida.

The project team researched and analyzed state and federal policies, demographics, customer preference, and their impact on Florida's aging services demands. A group of stakeholders reviewed the research and provided insights on the key assumptions used to drive the calculations of estimated future demand for aging services.

Considering that Florida today has the

highest percentage of senior citizens in the United States, the impact of a 126 percent increase in those over 85, plus the service needs of those between 65 and 85, is staggering. Service providers and government agencies are challenged to plan for this expected population growth, the current decline in the housing market, public policy changes, the shortage of health care workers, and the changing incomes of elders – especially those without a defined pension.

As seniors live longer, healthier lives, hospital use rates are declining, with a resulting drop in demand for services to discharged patients. However, this is expected to be more than offset in the coming years by the rapidly growing elderly population. In fact, it's estimated that 15,000 more nursing home beds will be needed by 2030. But while those stays are predicted to be brief, as seniors increasingly opt for home care or end-of-life hospice services, staffing will be impacted by an expected shortage of health-care workers, including nurses and home-care givers.

Nursing home operators accustomed to relatively stable populations will have to adjust. The average stay will be much shorter, and a greater proportion of residents will require more skilled nursing. This means greater risk, potentially more claims, and the need for professional risk management as a component of liability insurance protection.

### Baby Boomers Want Independent Living

Baby Boomers whose parents may have been satisfied with nursing home care will opt for independent or assisted living until they can no longer care for themselves. The study projects a need for nearly 160,000 new assisted living units. Demand for independent living facilities also is expected to increase sharply, creating a need for an additional 260,000 units. Skilled home care services funded by Medicare, Medic-

aid, and other governmental sources are expected to more than double by 2030. The wide range of healthcare options surely will increase professional and general liability risks and create a need for increased liability insurance in an uncertain market.

Perhaps the most daunting challenge facing the industry over the next couple of decades is the expected shortage of professional healthcare workers. This threatens to reduce the quality of care available to meet demand from the rapidly mounting population of senior citizens. Demand for Registered Nurses (RNs) and Licensed Practical Nurses (LPNs) is expected to grow by 30,000 Full Time Equivalents (FTEs) over the next 22 years. Demand for nursing assistants, home-health aides, and personal-care attendants is expected to grow by 122,000 FTEs.

However, the study predicts a severe shortage of RNs by 2030. As of June 2007, 43 percent of licensed RNs were over 50 years old, and 15 percent were over 60. Academic programs are not producing enough nurses to replace those retiring. The salary differential is growing between nurses employed by hospitals and those serving in long-term care. Long-term care RN salaries in some Florida markets are not considered as generous as hospitals or other settings, which will result in even greater shortages for skilled care, home care, and assisted living.

The shortage of nurses may mean that more care, especially for those with low or no incomes, will have to be provided in settings where the limited number of trained staff can be deployed more efficiently. This would limit customer choice, reduce timely access to professional services, and go

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against the increasing preference for non-institutional living environments.

Informal caregivers will be the key to managing the explosion in demand for aging services. Approximately 40 percent of women and 19 percent of men over 65 in 2005 lived alone. As the population ages, the numbers living alone are expected to increase. Without informal family help, it's more likely they will require support to meet their daily needs.

The problem is that availability of home-care services, including family and other informal providers, is expected to decline 41 percent by 2030. This means that 420,000 more seniors 85 years and older may be without help at home or will be moved into already burdened nursing homes and assisted living facilities.

### **Increased Potential for Adverse Events**

Insurance implications of this complex and challenging outlook are significant. The study

raises the specter of an insurance crisis along with the long-term care crisis. Dramatic growth in home care and assisted living as a substitute for care in skilled nursing facilities surely will increase professional and general liability risks. If staff is not available to meet the demand, the potential for adverse events to occur will increase. In the nursing home arena, shorter stays with most residents requiring more than custodial care will expose operators to more risks and greater claims frequency.

Agents will be expected to increase liability protection to home healthcare workers and hospice facilities impacted by the expanding population, as well as to the full range of long-term care environments, including nursing homes, assisted and independent living, and continuing care retirement communities.

This could well revive the litigation crisis of a few years ago, when professional liability insurance for nursing homes became prohibitively expensive or unavailable. Experience

shows that traditional insurance companies often withdraw from troubled lines of insurance such as healthcare facility coverage when the going gets tough.

A bright spot in the outlook for meeting liability insurance needs and providing professional risk management to improve care and cut losses is the emergence in recent years of alternative insurance mechanisms to compete with the traditional insurance market.

In Florida and other states, owners of nursing homes, assisted living and other long-term care facilities have banded together to form risk retention groups and related mechanisms to control their own destinies. These specialized insurance companies provide stable, competitively priced liability insurance year in and year out. As the elderly population continues to grow, agents can look to these facility-owned companies to provide their clients with essential liability coverage when the cycle turns and the traditional market begins to dry up. ▲