

# SCOR/TSE Workshop on Long Term Care and Aging

Friday, January 28th 2022

by Zoom from 2 p.m. to 6 p.m.

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□ **Speakers and Abstracts (in alphabetical order).**

• **Chiara Canta, Toulouse Business School.**

<https://chiaracanta.wordpress.com/>

“**Family bargaining and the gender gap in informal care**” by Chiara Canta (with Helmuth Cremer).

We study the optimal long-term care policy when informal care can be provided by children in exchange for monetary transfers by their elderly parents. We consider a bargaining model with single-child families. Daughters have a lower labor market wage and a lower bargaining power within the family with respect to sons. Consequently, they provide more informal care and have a lower welfare in the laissez-faire (although not necessarily lower transfers). The first best involves redistribution from families with sons to families with daughters and can be implemented by a gender-specific schedule of public LTC benefits and transfers to working children. If the policy is restricted to be gender neutral, we find that the informal care provided by daughters should be distorted up to enhance redistribution from families with sons to families with daughters.

• **Tatyana Koreshkova, Concordia University.**

<https://drtatyana.github.io/>

“**Long-term care choice in equilibrium: Implications for public policies**” by Tatyana Koreshkova (with Minjoon Lee).

We build an equilibrium model of the market for nursing home care with decision-makers on both sides of the market. The nursing home demand arises as a result of stochastic dynamic optimizations by households heterogeneous in age, health, wealth; and the cost of home-and-community-based care. On the supply side, locally competitive nursing homes decide prices and care intensity. The government pays for the long-term care of the poorest.

We estimate the model parameters using Health and Retirement Survey and simulate the model to quantitatively evaluate the effects of long-term care policies on prices, intensities, care allocation, and welfare.

- **Mathieu Lefebvre, Aix-Marseille School of Economics.**

<https://sites.google.com/site/mathieulefebvreperso/>

“**Nursing homes and mortality in Europe: uncertain causality**” by Mathieu Lefebvre (with Xavier Flawinne, Sergio Perelman, Pierre Pestieau and Jérôme Schoenmaeckers).

Using matching methods, we want to check whether nursing home were lending themselves to excess mortality even before the pandemic. Controlling for a number of characteristics (age, gender, degree of dependence, state of health and resources) of the elderly population in and outside nursing homes, we conjecture that the difference in mortality, if any, between those two samples is to be attributed to the way nursing homes are designed and organized. We observe excess mortality in Central and Eastern European countries but not elsewhere. This raises the question of the organization and management of these nursing homes, but also of their design and financing.

- **Jean-Marie Lozachmeur, Toulouse School of Economics.**

<https://www.tse-fr.eu/people/jean-marie-lozachmeur>

“**Gender wage and longevity gaps and the design of retirement systems**” by Jean-Marie Lozachmeur (with Francesca Barigozzi and Helmuth Cremer).

We study the design of pension benefits for male and female workers. Women live longer than men but have a lower wage. Individuals can be single or live in couples who pool their incomes. Social welfare is utilitarian but an increasing concave transformation of individuals’ lifetime utilities introduces the concern for redistribution between individuals with different life-spans. We derive the optimal direction of redistribution and show how it is affected by a gender neutrality rule. With singles only, a simple utilitarian solution implies re-distribution from males to females. When the transformation is sufficiently concave redistribution may or may not be reversed. With couples only, the ranking of gender retirement ages is always

reversed when the transformation is sufficiently concave. Under gender neutrality pension schemes must be self-selecting. With singles only this implies distortions of retirement decision and restricts redistribution across genders. With couples, a first best that implies a lower retirement age for females can be implemented by a gender-neutral system. Otherwise, gender neutrality implies equal retirement ages and restricts the possibility to compensate the shorter-lived individuals. Calibrated simulations show that when singles and couples coexist, gender neutrality substantially limits redistribution in favor of single women and fully prevents redistribution in favor of male spouses.

- **Pierre Pestieau, University of Liège.**

[http://www.crepp.ulg.ac.be/profiles/Pestieau/profiles\\_pestieau.html](http://www.crepp.ulg.ac.be/profiles/Pestieau/profiles_pestieau.html)

“**The economics of long-term care: an overview of recent research**” by Pierre Pestieau.

This paper surveys recent economic research on long-term care (LTC). LTC differs from health care: it is about nursing; it is mostly provided by unpaid caregivers (mainly spouses and children), whereas both the market and the state play a modest role. We first look at the alternative motives for caring for spouses or parents. They are important for the design of public policy. We then turn to the role of the market by looking at the causes of the so-called LTC insurance puzzle and at the rules of reimbursement. The future of LTC appears to be gloomy: sustained population ageing and recent societal trends finally, we turn to the design of a sustainable public LTC scheme integrating both the market and the family.

- **Holger Strulik, University of Goettingen.**

<http://www.holger-strulik.org/>

“**Optimal demand for medical and long-term care**” by Holger Strulik (with Johannes Schünemann and Timo Trimborn).

For the population over 65, long-term care (LTC) expenditure constitutes a considerable share in health care expenditures. In this paper, we decompose health care into medical care, intended to improve one’s state of health, and personal care required for daily routine. Personal care can be either carried out autonomously or by a third party. In the course

of aging, autonomous personal care is gradually substituted by LTC. We set up a life-cycle model in which individuals are subject to physiological aging, calibrate it with data from gerontology, and analyze the interplay between medical care and LTC. In comparative dynamic analyses, our theory-based approach allows us to causally investigate the impact of better health and rising life expectancy, triggered by higher income and better medical technology, on the expected expenditures for LTC in the future. We predict a 1.75-percentage increase in expected LTC expenditure per percentage increase in life expectancy. In terms of present value at age 20, this elasticity declines to around 1 percent. Even when considering different magnitudes of shocks in medical technology and income, we find that these elasticities remain remarkably stable.