



Health Care Reform and LTC: CLASS provisions

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Yesterday, President Obama signed into law the health care reform bill (now known as the Patient Protection and Affordable Care Act), which includes the Community Living Assistance Services and Supports (CLASS) provisions. Many of the details of the CLASS provisions are not yet defined and will be developed through regulation, but we are pleased to provide you with the available information below. As additional details of CLASS become available, we will provide you with updates via LTC Newslink.

What are the CLASS provisions (formerly known as the CLASS Act)?

The CLASS provisions create a voluntary government program under which participants will pay a monthly premium, will be covered on a guaranteed-issue basis, and will be eligible for modest benefits for their long-term care needs after five years of paying premiums. While it has been characterized as a long-term care program, it is primarily designed as a program to provide assistance to the working disabled. It's important to note that benefits will be paid by premiums collected from voluntary participants and not by the taxpayers.

What are the details of the coverage that would be provided?

Most of the terms of the new CLASS program that passed as part of the Patient Protection and Affordable Care Act will be developed by the Department of Health and Human Services over the next few years. Certain terms are set in statute, including the following:

Enrollees will:

- pay a monthly premium, through payroll deduction, that has yet to be determined, but most recent estimates indicate that the average premium will be \$180-\$240/month; that premium could be increased yearly to ensure that the CLASS fund is actuarially sound.
- be covered on a guaranteed-issue basis;
- be eligible for benefits for their long-term care needs after paying premiums for the first 60 months of coverage (i.e., a 5-year waiting period) and have worked at least three of those five years;
- receive a lifetime cash benefit after meeting benefit eligibility criteria, based on the degree of impairment, which is expected to average about \$75/day or more than \$27,000 per year and is payable as long as the claimant remains disabled.

Enrollees will be offered coverage through their employers and will be automatically covered unless they opt out. They can opt back in at a later time. Self-employed people or those whose employers do not offer the benefit will also be able to join the CLASS program through a government payment mechanism.

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How soon will the CLASS provisions take effect?

Now that the bill has been signed into law by President Obama, it will go to the Department of Health and Human Services, where the terms of the program will be worked through. From there it will be two years before the program goes into effect and another five years from that point before anyone is eligible for benefits.

What if a client is now considering the government plan rather than LTC insurance?

It will be at least two years before the CLASS Act is operational and another five years from that time before any benefits can be paid. Since the government plan is highly limited, we encourage you to remind your prospects that delaying the purchase of an LTC insurance policy can have an effect on the cost of their policy and possibly their insurability. Also remind your clients about some of the advantages of a purchasing a private LTC insurance policy today, such as:

- The purchase of an individual LTC insurance policy does not require that the individual be employed.
- LTC insurance offers a broad range of benefits, and is better suited to address the high cost of care.
- LTC insurance does not have a minimum number of years an individual must pay premiums before benefits are payable; the coverage will begin paying benefits once the benefits trigger and waiting periods have been met.
- Any unused LTC insurance benefits are carried over from year to year.
- The policy provides access to care coordination services, quality providers, and provider discounts.

Does a policyholder still need his/her LTC insurance policy?

Yes, we recommend that all private LTCI policyholders retain their private LTC insurance policies due to the highly limited nature of the long-term care benefits that will be offered under CLASS, as well as what could potentially be very high premiums for CLASS due to adverse selection.

What is John Hancock's position on the passing of the CLASS provisions?

We believe that the CLASS provisions do not negate the need for private LTC insurance coverage in any way. In addition, we are hopeful that the program will play a significant role in raising consumer awareness about the many issues surrounding long-term care and the need to be prepared for a long-term care event.