

Wednesday, March 24, 2010

Health Care Reform & Long Term Care: CLASS Provisions

In our ongoing effort to keep our clients informed with the latest health care reform developments, we wanted to provide our Long Term Care clients with additional information regarding the special provisions included in the recently passed Health Care Reform bill.

President Obama signed into law the Health Care Reform bill (now known as the Patient Protection and Affordable Care Act), which includes Community Living Assistance Services and Supports (CLASS) provisions. Specific provision details regarding CLASS are not yet defined and should be developed through regulation in the coming months.

SML has evaluated some general CLASS information which we have outlined below. As additional details become available, we will provide you with updates.

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

The CLASS provisions create a voluntary government program under which participants will pay 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.

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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.

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 the benefits.

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

Based on the information that is currently available, we recommend that all private Long Term Care insurance policyholders retain their 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.

We will continue to keep you informed as new information about the CLASS program becomes available. Should you have any questions regarding this information, please contact your SML Account Team.

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