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Specializing In  
Long Term Care

Independence, Security & Dignity

## *Community Living Assistance Services and Supports Act (CLASS Act)*

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The Healthcare Reform legislation includes the Class Act, a voluntary government program under which employees can obtain coverage for long term care on a guaranteed issue basis. Over the next 2 years the Department of Health and Human Services will be making final plan designs and pricing. The Class Program will not be offered until 2013. More information will be forthcoming.

The employer can opt out of the program. If so, the employer may have to arrange a private long term care insurance program for the employees. If the employer does not opt out, the employee will automatically be enrolled unless the employee opts out. Participants must have a certain level of income (unknown at this time) and claim eligibility can only start after 5 full years of paying premiums. Thus from right now, it will be 8 years before a participant is eligible for benefits.

Benefits and premiums are not set at this time. The benefit will be \$50-\$75 a day. The annual premium may be approximately \$260 monthly according the chief actuary of the U.S. Centers for Medicare & Medicaid Services. The length of the LTC benefit is not known at this time. The annual cost could be about \$2,880. We do not know if these numbers include a compound CPI rider.

Since the Secretary of HHS must ensure the program's solvency over 75 years, HSS can adjust the premiums annually. Some actuaries are of the opinion that the plan will cash flow positive in the first 10-12 years and that afterward, the program will run negative due to large utilization (claims). Since the program is available on a guaranteed issue basis, there will most likely be significant adverse selection (the unhealthy will apply).

Needless to say, the Class Act only provides minimal long term care coverage. For relatively healthy people, the private long term care insurance market will be less expensive for an equal amount of insurance. The private market provides much greater design flexibility and discounts when married and in good health. I believe that the private market will experience greater long term price stability.

Unfortunately, people who participate in the government program will find that at claim time, they are way underinsured!

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