

## CLASS Act

THE HEALTH CARE REFORM LAW (THE PATIENT PROTECTION AND AFFORDABLE CARE ACT) CONTAINS A PROVISION FOR LONG-TERM CARE COVERAGE UNDER THE COMMUNITY LIVING SERVICES AND SUPPORT ACT LAW (CLASS ACT). THE CLASS ACT WILL BE SET UP AS A VOLUNTARY NATIONAL INSURANCE PROGRAM TO HELP PAY FOR SOME LONG-TERM CARE AT HOME OR IN A PERSONAL-CARE OR SKILLED-NURSING SETTING WHEN CERTAIN REQUIREMENTS ARE MET.

**Details of the plan** have not been fully determined or defined at the present time, and the program itself may not be operational until 2013 or until further developed by the Department of Health and Human Services. Information provided in this article is gathered from the information available<sup>1</sup> and will describe the potential impact on employers, employees and those seeking retirement in the coming years.

CLASS Act coverage will be offered through employers to actively working people. In other words, retirees and those individuals who are disabled will not be permitted to enroll in such coverage. Participants must be 18 years of age or older and actively employed at time of purchase. Employers are not required to participate in the CLASS program and they will be permitted to opt out. Employees may be enrolled and premiums payroll-deducted. Participants whose income falls below the federal poverty level, as well as students, will initially be charged just \$5 per month.

Although the exact premiums have yet to be determined, John Hancock references the Chief Actuary of the Centers for Medicare and Medicaid Service (CMS), which states that “an initial average premium level of about \$240 per month would be required to adequately fund CLASS program costs for this level of enrollment (2 percent)...” On August 17, Ed Feulner, president of the Heritage Foundation ([www.heritage.org](http://www.heritage.org)), published a piece titled “Go to the Back of the CLASS” on CNSNEWS.com. He says: “CLASS is structurally unsound because it

requires identical premiums for individuals of the same age, regardless of health status. Healthy people will thus be charged an unfair amount, making them unlikely to enroll. Sick people, meanwhile, are more likely to enroll... Actuaries who have analyzed CLASS believe that the premiums will be insufficient to fund benefits. This raises the possibility that CLASS will put taxpayers on the hook for a bailout of this program and/or beneficiaries will receive less than they were promised.”

At the onset of a long-term illness, qualified participating individuals may be eligible for benefits as low as \$50 per day<sup>2</sup> for as long as care is needed. Entrance into the plan is guaranteed if the individual meets certain eligibility criteria and pays the required premiums<sup>3</sup> for at least five years (earning wages for at least three of those years before they could be eligible). In other words, it is likely that individuals will not be able to access benefits until 2018 or later.

The provisions require a determination that a participant has one of the following functional limits, as certified by a licensed health-care practitioner, that is expected to last for a continuous period of more than 90 days:

- The participant is determined to

1. John Hancock (April 7, 2010). Overview of the “CLASS Act.”
2. The benefit will increase every year, based on the Consumer Price Index for all urban consumers.
3. Premiums have yet to be determined.
4. A final determination of whether the minimum requirement will be two or

be unable to perform at least two or three<sup>4</sup> activities of daily living (bathing, dressing, transferring, eating, toileting and continence) without substantial assistance from another individual.

- The participant requires substantial supervision to protect the individual from threats to health and safety due to substantial cognitive impairment.
- The participant has a level of functional limitation similar to the level of functional (as determined under regulations prescribed by the Secretary) limitation described above<sup>5</sup>.

So, as an eligible employee, will you still need to consider long-term care insurance? Most definitely! As of July 2010, the average cost of a private room in personal care (also often referred to as assisted living) in Lancaster County is \$115 per day, or \$3,450 per month. The average cost of a semi-private room in skilled nursing in Lancaster County is \$254 per day, or \$7,620 per month. These rates, on average, are increasing at four to seven percent per year. Clearly, these expected increases will create much higher costs for the future. In-home care services average approximately \$20 per hour, with many agencies requir-

three activities of daily living has yet to be made.

5. John Hancock (April 5, 2010). Health Care Reform and “CLASS” Provisions Producer Frequently Asked Questions (FAQ). [https://www.johnhancockltd.com/Group/client/documents/CLASS\\_PRODUCERBROKER\\_FINAL\\_040710.pdf](https://www.johnhancockltd.com/Group/client/documents/CLASS_PRODUCERBROKER_FINAL_040710.pdf)

ing a minimum of two-hour increments. If care is received for four hours every day, this cost would come to approximately \$80 per day, or \$2,400 per month, not accounting for typical living expenses such as groceries, utilities, taxes and home modifications. Fifty dollars per day will certainly not cover the average costs of long-term care, thereby creating a need for a large pool of spendable assets or long-term care insurance.

Individuals, actively working or not, can currently enroll in long-term care insurance at rates significantly lower than a \$240 monthly premium. The average annual premium amounts paid in 2007 for all ages were \$2,207, or \$185 per month (2008 LIMRA International, Inc.).<sup>6</sup> Furthermore, long-term care insurance policies typically offer a daily benefit ranging from \$50 to \$500 per day, according to the National Clearinghouse for Long Term Care Information. One could easily pay premiums of \$240 a month in a long-term care insurance policy, depending on his or her age, with an inflation rider and have coverage that far exceeds \$50 per day. Most long-term-care insurance policies become effective when certain qualifications are met. Most often, this does not require a five-year waiting period.

This program will likely not provide a solution for individuals looking for long-term protection. Be watchful for further developments in the coming years. Most importantly, understand what care options and financial arrangements are available before finding yourself in need of long-term-care services. ♦



Jessica A. Pavelko, CSA, a lifelong Lancaster resident and senior consulting specialist, launched Pavelko Senior Consulting Services, LLC (PSCS) in 2006. The business takes a unique personal and professional interest in seniors and their

families by assisting them in making certain all of the resources are being utilized that best meet an individual’s needs. PSCS acts as an advocate and navigator for seniors, and helps them and their family members make wise decisions regarding the care that they desire and deserve. For more information, contact PSCS at 717-517-8871, e-mail at [info@pavelko.org](mailto:info@pavelko.org) or visit [www.pavelko.org](http://www.pavelko.org).

6. [http://www.longtermcare.gov/LTC/Main\\_Site/Paying\\_LTC/Private\\_Programs/LTC\\_Insurance/index.aspx](http://www.longtermcare.gov/LTC/Main_Site/Paying_LTC/Private_Programs/LTC_Insurance/index.aspx)