

APPENDIX Pe:

**PRESENTATION ENTITLED “ALTERNATIVE
APPROACHES TO CLASS BENEFIT DESIGN:
THE CLASS PARTNERSHIP”**

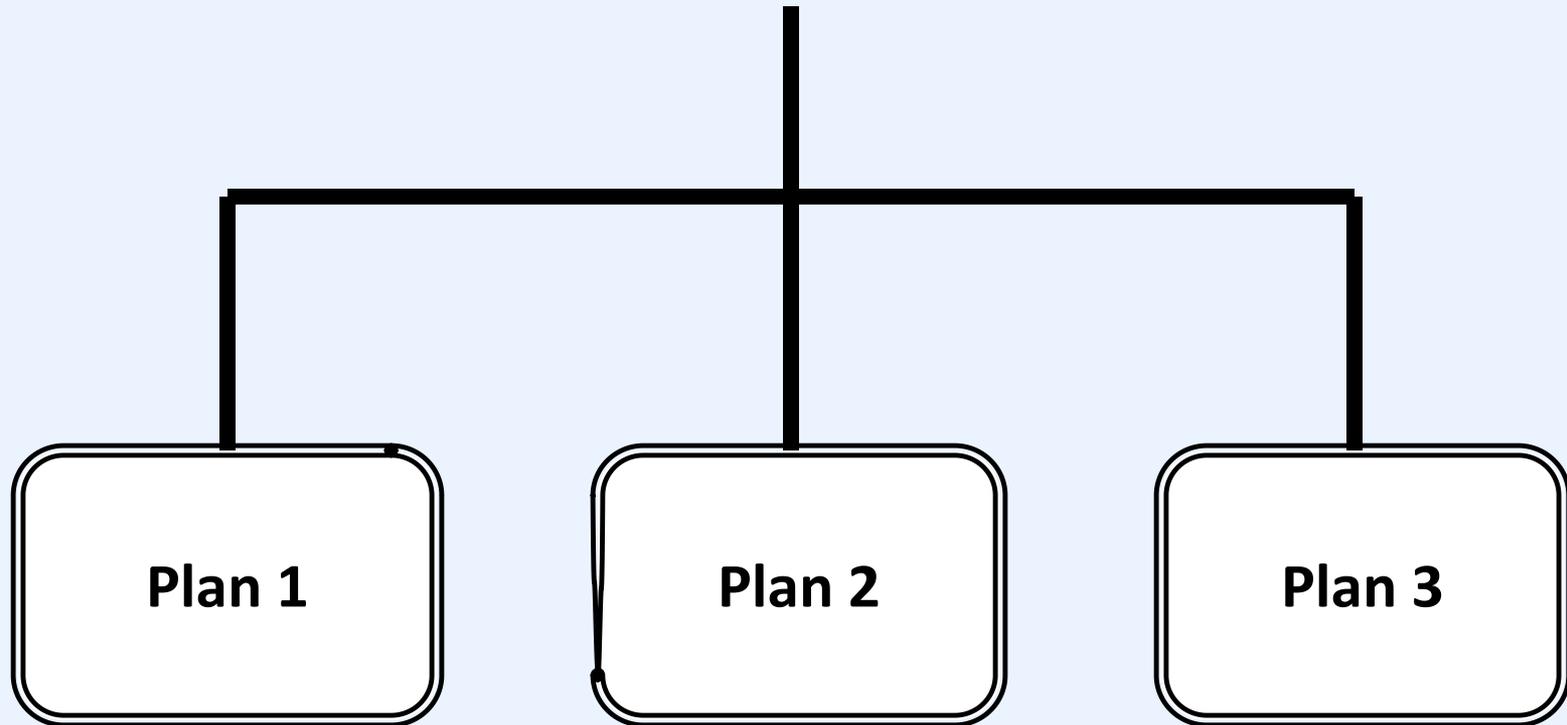
**Alternative Approaches to CLASS
Benefit Design:
The CLASS Partnership**

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and Evaluation

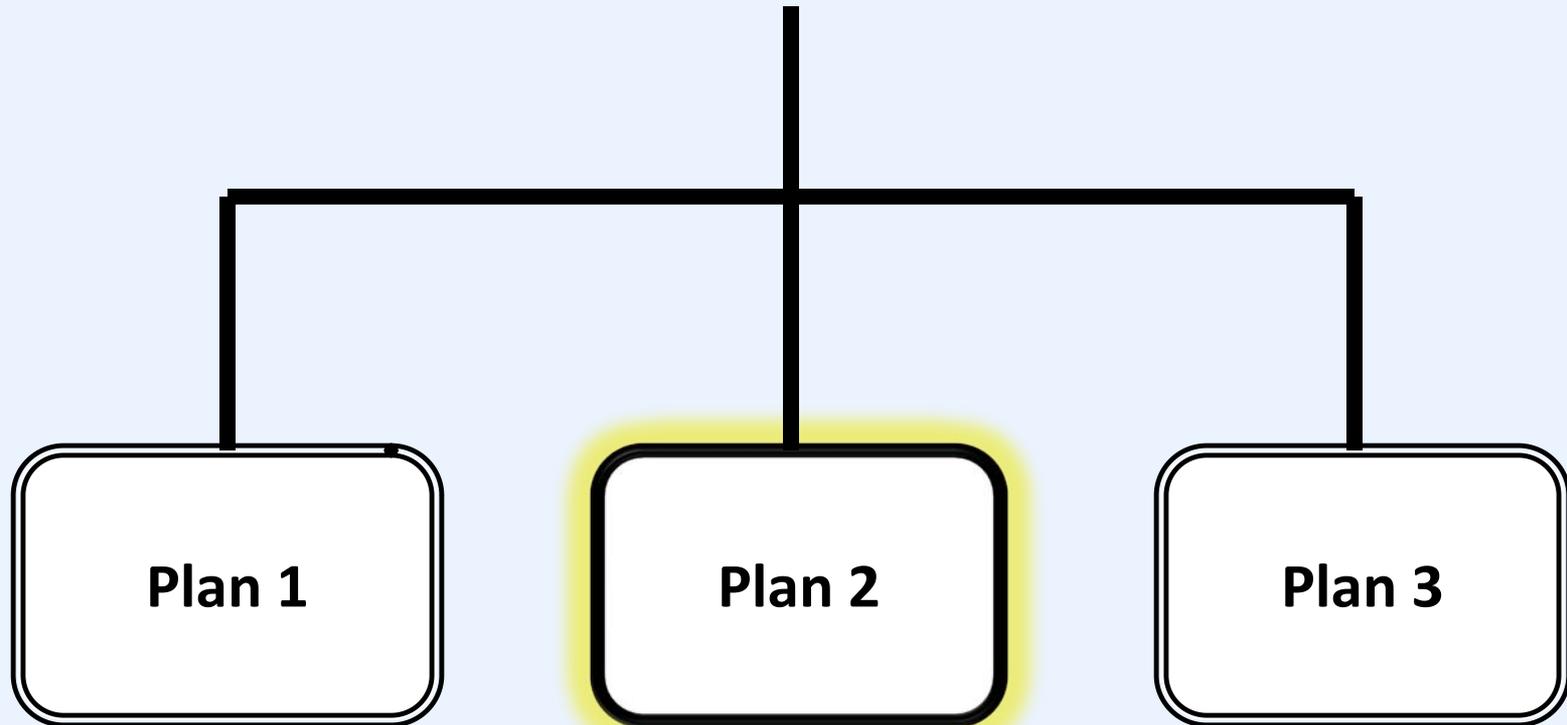
June 22, 2011

CLASS Independence Benefit Plan

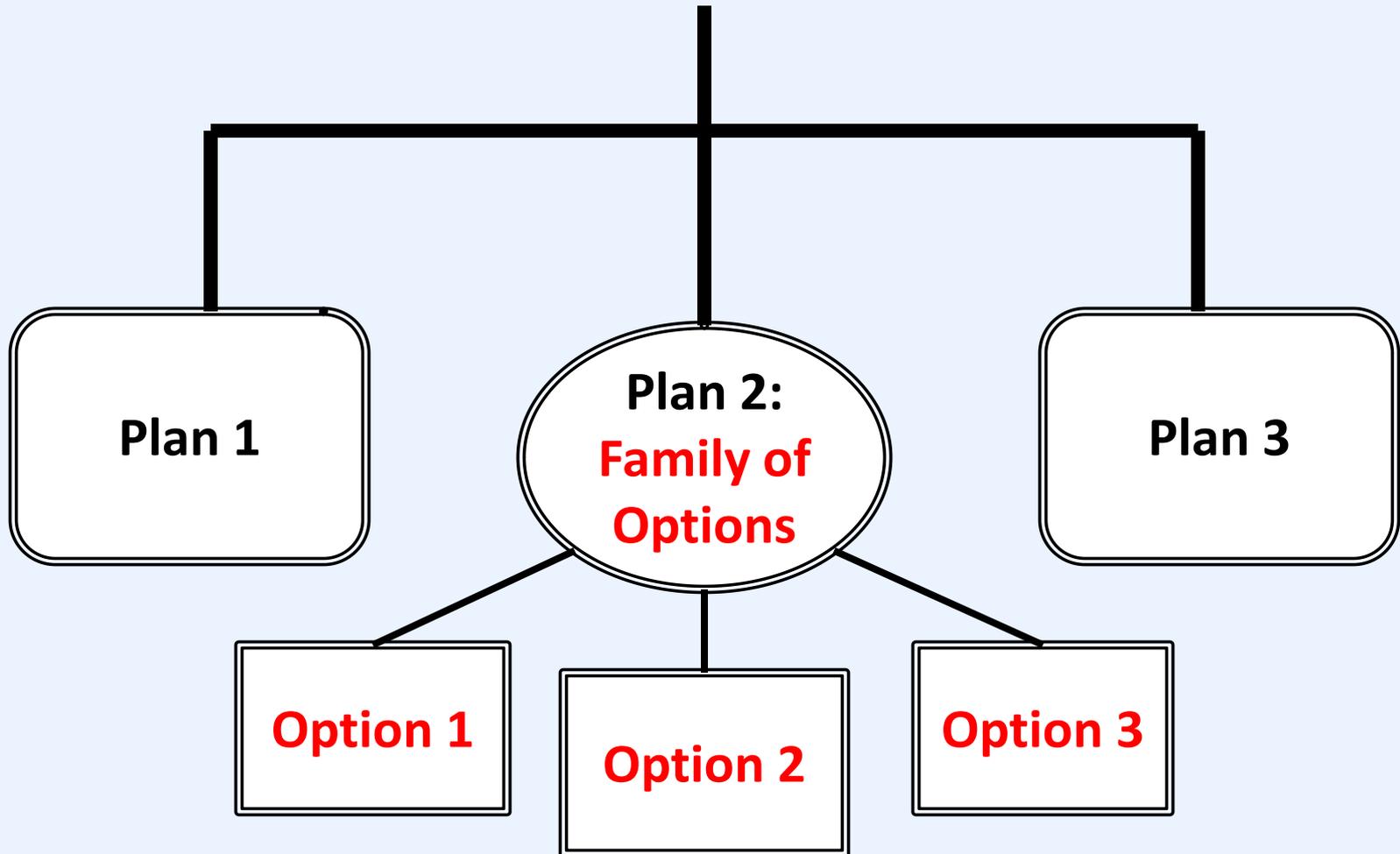


CLASS Independence Benefit Plan

October 1, 2012



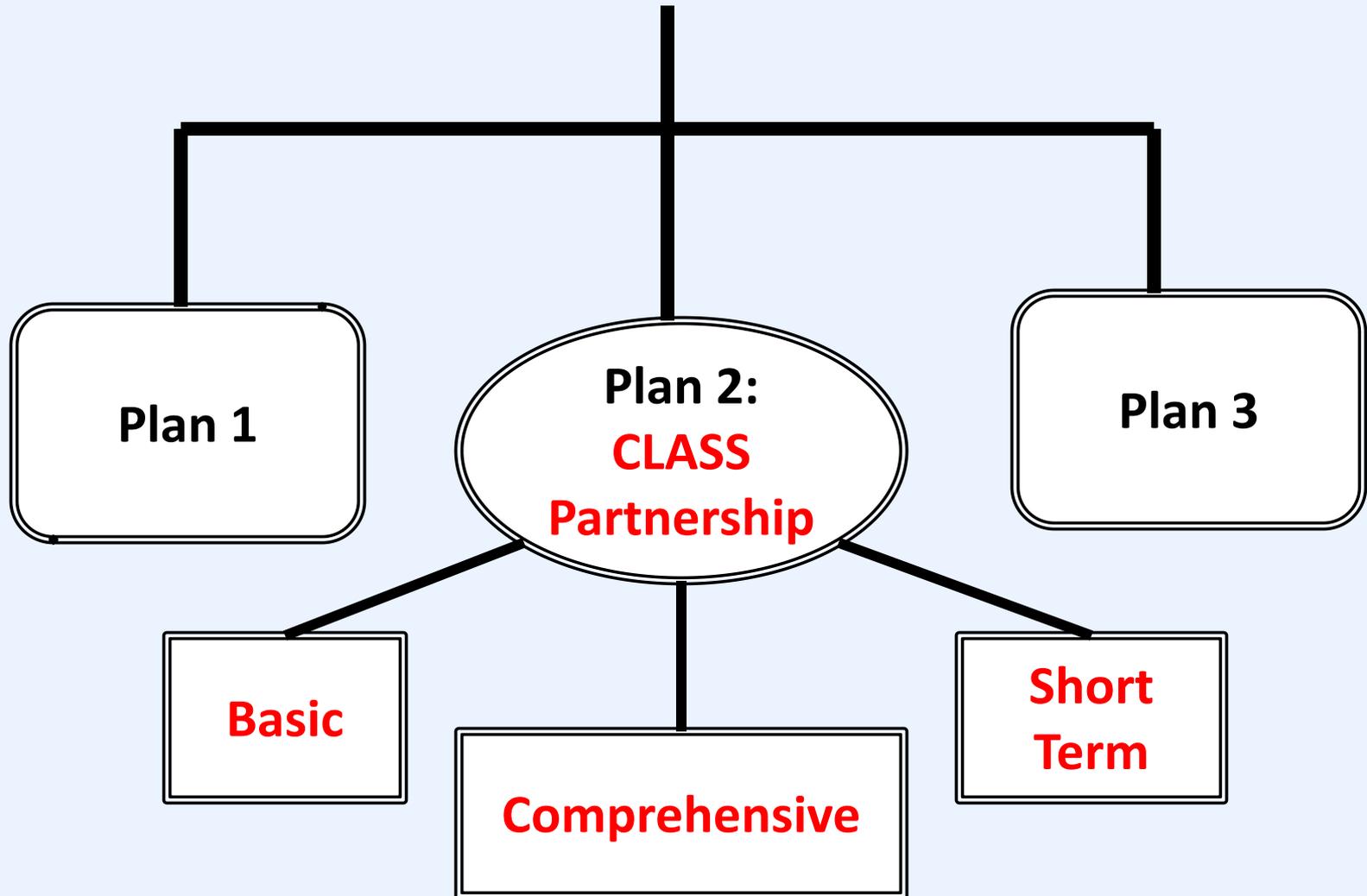
CLASS Independence Benefit Plan



Family of Options

- A set of benefit plans that are marketed as one plan with multiple options
- One of the options must follow the CLASS statute fairly closely (e.g., the Modified CLASS plan)
- The structure of the other options can vary more extensively, but still must maintain certain core features of the CLASS statute such as similar requirements for enrollment; a primary benefit that is cash; a five year vesting period; and no underwriting except for age
- The options are designed to appeal to different market segments of the population that (hopefully) vary by the risk of adverse selection
- The family of options has to be actuarially sound, either at the individual option level or in their entirety

CLASS Independence Benefit Plan



CLASS Partnership

- Basic:** Incorporates the major features of the CLASS statute (e.g., a primary benefit that is cash; no limit on duration; a vesting period; and no underwriting except for age), but changes key components to mitigate, although not likely eliminate, adverse selection.
- Comprehensive:** Provides much more comprehensive coverage (e.g., a three-year \$150 daily benefit) designed to appeal to people who want to insure against future risk of long-term care that they will likely face at very old ages. Structure of the benefit reduces the likelihood of adverse selection.
- Short Term:** Provides very short-term (e.g., one year), high dollar coverage to persons with high functional needs. The premiums for this product should be substantially lower than those for the Basic and Comprehensive options, with the goal of appealing to persons who want some level of coverage but cannot afford something more comprehensive. Similar benefit structure as for the Comprehensive Option

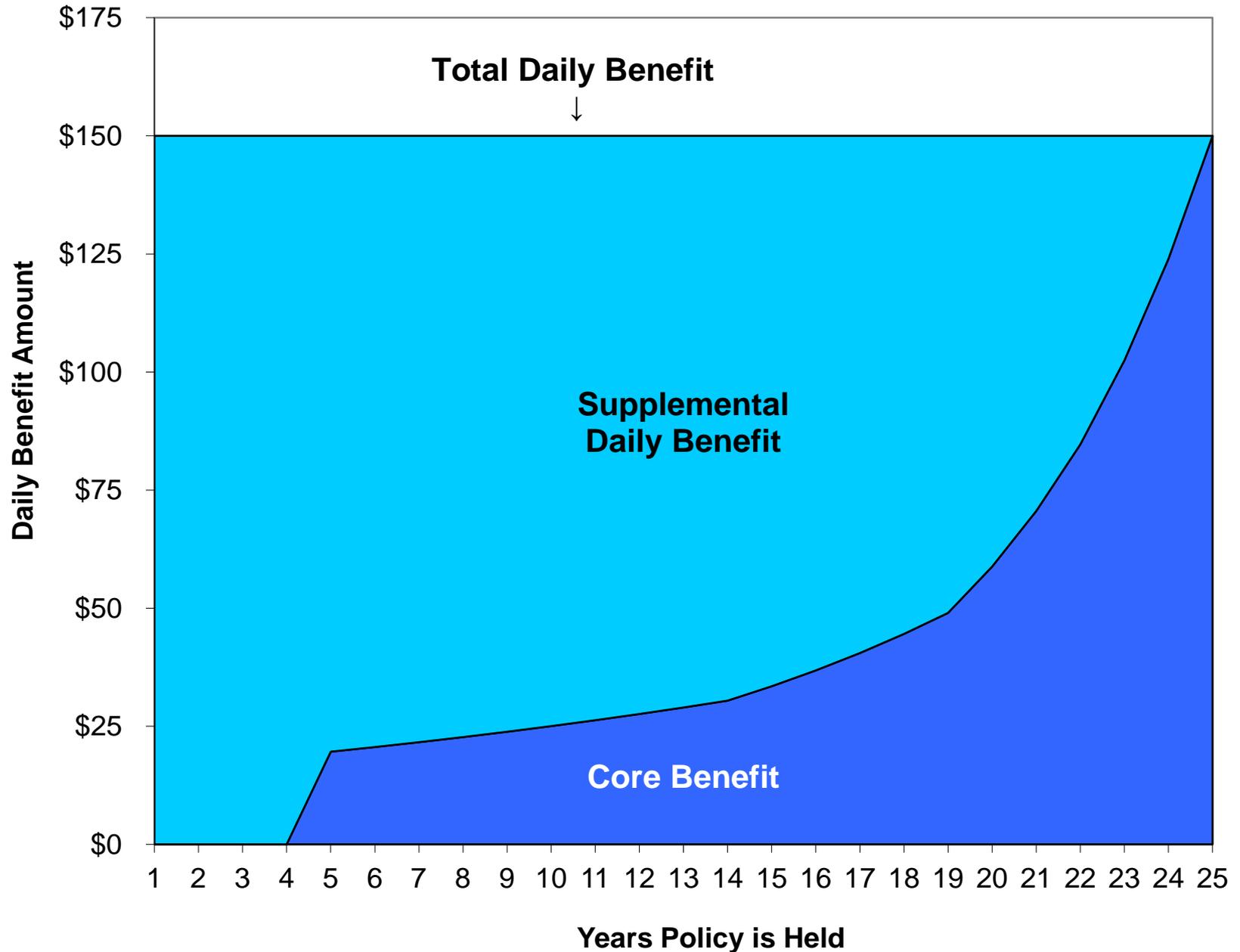
Why is this plan called the “CLASS Partnership”?

The structure of the benefit is designed to provide an opportunity for private insurers to develop products that would naturally “wrap around” and supplement the underlying core benefit. (Note: The supplement would be underwritten.)

Specifically, the daily benefit amount increases the longer the policy is held, rising from a nominal amount after the vesting period to an amount of coverage similar to what is commonly purchased from long-term care insurers.

However, unlike the CLASS Basic Plan, the duration of coverage for the Comprehensive and Short Term options is limited.

Figure 1. Changes in Daily Benefit Amount for the Comprehensive Option



Summary of CLASS Partnership Plan

Program Features	CLASS Benefit in Statute	CLASS Partnership Plan		
		Basic (Modified)	Comprehensive	Short Term
Enrollment Requirements:				
- Age 18+	Yes	Yes	Yes	Yes
- Taxable Wages/Income	Yes	Yes	Yes	Yes
- Actively Employed	Yes	Yes	Yes	Yes
- Not in Institution	Yes	Yes	Yes	Yes
Coverage/Benefits:				
- Primary Benefit	Cash	Cash	Cash	Cash
- Daily Benefit Amount (DBA)	\$50 (Average)	\$50 (Average)	Varies - Up to \$150 ²	Varies - Up to \$200 ²
- Unit of Payment	Daily or Weekly	Daily or Weekly	TBD	TBD
- Minimum Duration in Years	NA - Lifetime	NA - Lifetime	3 Years	1 Year
- Total Value	TBD	TBD	\$164,250	\$73,000
- Inflation Protection	CPI-U	CPI (2.8%)	Variable ⁴	Variable ⁴
- Advocacy Services	Yes	Yes	TBD	TBD
- Advice and Asst. Counseling	Yes	Yes	TBD	TBD
Eligibility for Benefits:				
- 5 Year Vesting Period	Yes	Yes	Yes	Yes
- Work Req. Over Vesting Period	At Least 3 Years	5 Years (or 40 Qs) ⁵	5 Years (or 40 Qs) ⁵	5 Years (or 40 Qs) ⁵
- Earnings Req. Over Vesting Period	\$1,120/Year	\$12,000/Year	\$12,000/Year	\$12,000/Year
- 24 Months of Prior Prem. Payment	Yes	Yes	Yes	Yes
- Minimum Benefit Trigger	2 or 3 of 6 ADLs ⁶	TBD	HIPAA - 2+ ADLs ⁶	HIPAA - 3+ ADLs ⁶
- Tiered Benefit	Yes	Yes	No	No
- Elimination Period in Days	0	0	0	0
- Presumptive Eligibility	Yes - if in Inst. ⁷	Yes - if in Inst. ⁷	TBD	TBD
- Administrative Expenses	3%	3%	TBD	TBD
Monthly Premium:				
- Underwritten (Other Than Age)	No	No	No	No
- Indexed to Inflation	No	Yes (2.8%)	Yes (3%)	Yes (3%)
- Low Income Premium	Yes	Yes	No	No
- Full Time Student Premium	Yes	Yes	No	No
- Waiver of Premium	TBD	TBD	TBD	TBD
- Level Premium	After Age 65 ⁸	After Age 65 ⁸	After Age 75 ⁹	After Age 75 ⁹
- Return of Premium	TBD	TBD	Yes ¹⁰	Yes ¹⁰

**Indexed Monthly Premiums for CLASS Partnership:
Comprehensive Option (Scenario II - Expected)**

	Core¹	Supplement²	Total
35	\$109	\$23	\$132
40	\$121	\$32	\$153
45	\$138	\$44	\$182
Age 50	\$153	\$73	\$226
55	\$162	\$103	\$265
60	\$166	\$144	\$309
65	\$168	\$203	\$371
Average	\$148	\$99	

¹ Full waiver of premium, 2% participation

² 60% loss ratio, SOA experience data

Comparison of Comprehensive Level Premiums Against Private LTC Insurance Plans

	Comprehensive (Total)	MedAmer. Simplicity II ¹	Prudential LTC3 ²	United of Omaha AS Gold ³	NW QCare ⁴	FLTCIP ⁵
35	\$199	\$238	\$192	\$182	\$232	\$74
40	\$224	\$270	\$202	\$193	\$237	\$87
45	\$258	\$308	\$227	\$201	\$256	\$104
50	\$308	\$356	\$256	\$214	\$276	\$125
55	\$351	\$415	\$290	\$234	\$303	\$153
60	\$398	\$498	\$330	\$280	\$349	\$187
65	\$464	\$621	\$421	\$402	\$433	\$238

¹ \$4,500/month, \$200,000 maximum (3.7 years), 30 day elimination period, 5% ACI, all cash

² \$150/day, three year, 30 day elimination period, 4% ACI, 40% HC in cash alternative

³ \$4,500/month, three year, 0 day elimination period, 4% ACI, 40% HC in cash alternative

⁴ \$4,500/month, three year, 6 week elimination period, 4% ACI, service reimbursement

⁵ \$150/day, three year, 90 day elimination period, 4% ACI, service reimbursement

**Indexed Monthly Premiums for CLASS Partnership:
Short Term Option (Scenario II - Expected)**

	Core¹	Supplement²	Total
35	\$72	\$11	\$83
40	\$81	\$15	\$96
45	\$92	\$22	\$114
Age 50	\$101	\$37	\$138
55	\$106	\$52	\$158
60	\$105	\$75	\$180
65	\$101	\$108	\$208
Average	\$96	\$51	

¹ Full waiver of premium, 2% participation

² 60% loss ratio, SOA experience data

A REPORT ON THE ACTUARIAL, MARKETING, AND LEGAL ANALYSES OF THE CLASS PROGRAM

For additional information, you may visit the DALTCP home page at http://aspe.hhs.gov/_/office_specific/daltcp.cfm or contact the office at HHS/ASPE/DALTCP, Room 424E, H.H. Humphrey Building, 200 Independence Avenue, SW, Washington, DC 20201. The e-mail address is: webmaster.DALTCP@hhs.gov.

Files Available for This Report

[HTML versions of Appendices will be added as they are formatted]

Main Report	[48 PDF pages]
	http://aspe.hhs.gov/daltcp/reports/2011/class/index.shtml http://aspe.hhs.gov/daltcp/reports/2011/class/index.pdf
APPENDIX A: Key Provisions of Title VIII of the ACA, Which Establishes the CLASS Program	[6 PDF pages]
	http://aspe.hhs.gov/daltcp/reports/2011/class/appA.htm http://aspe.hhs.gov/daltcp/reports/2011/class/appA.pdf
APPENDIX B: HHS Letters to Congress About Intent to Create Independent CLASS Office	[11 PDF pages]
	http://aspe.hhs.gov/daltcp/reports/2011/class/appB.htm http://aspe.hhs.gov/daltcp/reports/2011/class/appB.pdf
APPENDIX C: <u>Federal Register</u> Announcement Establishing CLASS Office	[2 PDF pages]
	http://aspe.hhs.gov/daltcp/reports/2011/class/appC.htm http://aspe.hhs.gov/daltcp/reports/2011/class/appC.pdf
APPENDIX D: CLASS Office Organizational Chart	[2 PDF pages]
	http://aspe.hhs.gov/daltcp/reports/2011/class/appD.pdf
APPENDIX E: CLASS Process Flow Chart	[2 PDF pages]
	http://aspe.hhs.gov/daltcp/reports/2011/class/appE.pdf
APPENDIX F: <u>Federal Register</u> Announcement for CLASS Independence Advisory Council	[3 PDF pages]
	http://aspe.hhs.gov/daltcp/reports/2011/class/appF.htm http://aspe.hhs.gov/daltcp/reports/2011/class/appF.pdf
APPENDIX G: Personal Care Attendants Workforce Advisory Panel and List of Members	[6 PDF pages]
Full Appendix	http://aspe.hhs.gov/daltcp/reports/2011/class/appG.htm http://aspe.hhs.gov/daltcp/reports/2011/class/appG.pdf
Ga: <u>Federal Register</u> Announcement for Personal Care Attendants Workforce Advisory Panel	http://aspe.hhs.gov/daltcp/reports/2011/class/appGa.pdf
Gb: Advisory Panel List of Members	http://aspe.hhs.gov/daltcp/reports/2011/class/appGb.pdf

APPENDIX H: Policy Papers Discussed by the LTC Work Group	[36 PDF pages]
	http://aspe.hhs.gov/daltcp/reports/2011/class/appH.htm
	http://aspe.hhs.gov/daltcp/reports/2011/class/appH.pdf
APPENDIX I: CLASS Administration Systems Analysis and RFI	[10 PDF pages]
	http://aspe.hhs.gov/daltcp/reports/2011/class/appI.htm
	http://aspe.hhs.gov/daltcp/reports/2011/class/appI.pdf
APPENDIX J: Additional Analyses for Early Policy Analysis	[150 PDF pages]
Full Appendix	http://aspe.hhs.gov/daltcp/reports/2011/class/appJ.pdf
Ja: A Profile of Declined Long-Term Care Insurance Applicants	http://aspe.hhs.gov/daltcp/reports/2011/class/appJa.pdf
Jb: CLASS Program Benefit Triggers and Cognitive Impairment	http://aspe.hhs.gov/daltcp/reports/2011/class/appJb.pdf
Jc: Strategic Analysis of HHS Entry into the Long-Term Care Insurance Market	http://aspe.hhs.gov/daltcp/reports/2011/class/appJc.pdf
Jd: Managing a Cash Benefit Design in Long-Term Care Insurance	http://aspe.hhs.gov/daltcp/reports/2011/class/appJd.pdf
APPENDIX K: Early Meetings with Stakeholders	[4 PDF pages]
	http://aspe.hhs.gov/daltcp/reports/2011/class/appK.htm
	http://aspe.hhs.gov/daltcp/reports/2011/class/appK.pdf
APPENDIX L: In-Depth Description of ARC Model	[62 PDF pages]
	http://aspe.hhs.gov/daltcp/reports/2011/class/appL.pdf
APPENDIX M: In-Depth Description of Avalere Health Model	[23 PDF pages]
	http://aspe.hhs.gov/daltcp/reports/2011/class/appM.htm
	http://aspe.hhs.gov/daltcp/reports/2011/class/appM.pdf
APPENDIX N: September 22, 2010 Technical Experts Meeting	[61 PDF pages]
Full Appendix	http://aspe.hhs.gov/daltcp/reports/2011/class/appN.htm
	http://aspe.hhs.gov/daltcp/reports/2011/class/appN.pdf
Na: Agenda, List of Participants, and Speaker Bios	http://aspe.hhs.gov/daltcp/reports/2011/class/appNa.pdf
Nb: Presentation Entitled "Actuarial Research Corporation's Long Term Care Insurance Model"	http://aspe.hhs.gov/daltcp/reports/2011/class/appNb.pdf
Nc: Presentation Entitled "The Long-Term Care Policy Simulator Model"	http://aspe.hhs.gov/daltcp/reports/2011/class/appNc.pdf
Nd: Presentation Entitled "Comments on 'The Long-Term Care Policy Simulator Model'"	http://aspe.hhs.gov/daltcp/reports/2011/class/appNd.pdf
APPENDIX O: Actuarial Report on the Development of CLASS Benefit Plans	[47 PDF pages]
	http://aspe.hhs.gov/daltcp/reports/2011/class/appO.pdf

APPENDIX P: June 22, 2011 Technical Experts Meeting
Full Appendix

[77 PDF pages]

<http://aspe.hhs.gov/daltcp/reports/2011/class/appP.htm>

<http://aspe.hhs.gov/daltcp/reports/2011/class/appP.pdf>

Pa: Agenda and Discussion Issues and
Questions

<http://aspe.hhs.gov/daltcp/reports/2011/class/appPa.pdf>

Pb: Presentation Entitled "Core Assumptions and
Model Outputs"

<http://aspe.hhs.gov/daltcp/reports/2011/class/appPb.pdf>

Pc: Presentation Entitled "Actuarial Research
Corporation's Long Term Care Insurance
Model"

<http://aspe.hhs.gov/daltcp/reports/2011/class/appPc.pdf>

Pd: Presentation Entitled "The Avalere Long-
Term Care Policy Simulator Model"

<http://aspe.hhs.gov/daltcp/reports/2011/class/appPd.pdf>

Pe: Presentation Entitled "Alternative Approaches
to CLASS Benefit Design: The CLASS
Partnership"

<http://aspe.hhs.gov/daltcp/reports/2011/class/appPe.pdf>

APPENDIX Q: Table 2: Actuarial and Demographic Assumptions

[2 PDF pages]

<http://aspe.hhs.gov/daltcp/reports/2011/class/appQ.htm>

<http://aspe.hhs.gov/daltcp/reports/2011/class/appQ.pdf>

APPENDIX R: Figure 1: Daily Benefit Amount for Increased Benefit

[2 PDF pages]

<http://aspe.hhs.gov/daltcp/reports/2011/class/appR.pdf>