APPENDIX Pa:

AGENDA AND DISCUSSION ISSUES AND QUESTIONS
Technical Expert Panel Meeting
on
Actuarial Modeling of the Community Living Assistance Services and Supports (CLASS) Program
Agenda

June 22, 2011
9:00 am – 3:30 pm

Hubert H. Humphrey Building, Room 705A
200 Independence Avenue, SW
Washington, DC 20201

Contact: Marie Belt or Goldwyn Smith at (202) 690-6443

9:00 – 9:15  Welcome and Introductions

Ruth Katz
Acting Deputy Assistant Secretary for Disability, Aging, and Long-Term Care Policy

Kathy Greenlee
Assistant Secretary for Aging

9:15 – 9:45  Overview of CLASS and Major Modeling Issues

William Marton
Director, Division of Disability and Aging Policy

Bob Yee
Actuary, CLASS Program Office

9:45 – 10:15  Actuarial Research Corporation (ARC) CLASS Model

John Wilkin
Senior Actuary, ARC

10:15 – 10:45  Questions and Comments on the ARC CLASS Model

10:45 – 11:00  Break
11:00 – 11:30  Avalere Long-Term Care Policy Simulator (LTC-PS)

Anne Tumlinson
Senior Vice President, Avalere Health

Eric Hammelman
Director, Avalere Health

11:30 – 12:00  Questions and Comments on the Avalere LTC-PS

12:00 – 12:45  Lunch

12:45 – 2:00  Review and Discussion of Core Assumptions and Model Output

John Wilkin
Senior Actuary, ARC

Eric Hammelman
Director, Avalere Health

2:00 – 2:15  Break

2:15 – 3:30  Presentation and Discussion of Alternative Approaches

William Marton
Director, Division of Disability and Aging Policy

Bob Yee
Actuary, CLASS Program Office

3:30  Adjourn
Thank you for your participation on the Technical Expert Panel on Actuarial Modeling of the Community Living Assistance Services and Supports (CLASS) Program. The agenda for the meeting is organized around addressing six major questions (below) and our efforts to develop estimates of premiums, participation and other important aspects of the CLASS program. Please review the questions and materials prior to the meeting. After the meeting, we would very much appreciate it if you could provide follow up comments or thoughts within a week so that we can incorporate them into our future modeling efforts.

1. **Who is likely to enroll in the CLASS program?**
   a. Do you think that the models’ approach to adverse selection is reasonable?
   b. Can you suggest approaches to validate the models with regards to their treatment of adverse selection?
   c. What alternative approaches would you recommend?

2. **What is the future long-term care utilization of enrollees likely to be?**
   a. Do you think that the approach for estimating future claim costs is reasonable?
   b. What are the strengths and weaknesses of the survey data that are the basis for estimating future claim costs?
   c. What other data could be used to model future claims?

3. **Are other key assumptions reasonable?**
   a. Are the interest rate assumptions reasonable (e.g., 4.7%, 5.7%, 6.7% average annual rate of return)?
   b. Are the annual voluntary lapse assumptions reasonable (e.g., .5%, .75%, 1% per year)?
   c. How should the progression of disability among workers be modeled during their working years and beyond?
   d. Are the assumptions of morbidity improvement reasonable (.25%, .5%, .75% per year for 20 years; 0% thereafter)?
   e. Are the mortality improvement assumptions reasonable (e.g., 1.31%, .78%, .32% per year)?

4. **What level of participation should we expect?**
   a. What are reasonable lower and upper bounds to participation? What do you think is the best point estimate of participation?
   b. Do you think the models reasonably reflect the dynamic between participation and adverse selection?
   c. How should we model the interaction between program demand and premium levels?
5. **What alternative designs would put the program on stronger financial footing?**

   a. Other than underwriting and mandatory enrollment, what features would you suggest to mitigate adverse selection?

   b. What aspects of the program should be changed to maximize participation?

6. **Other than specific changes to the benefit plan, what strategies should we pursue to mitigate program risk?**
<table>
<thead>
<tr>
<th>Program Features</th>
<th>CLASS Benefit in Statute</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Enrollment Requirements:</strong></td>
<td></td>
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<tr>
<td>- Age 18+</td>
<td>Yes</td>
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<tr>
<td>- Taxable Wages/Income</td>
<td>Yes</td>
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<td>- Actively Employed</td>
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<tr>
<td>- Not in Institution</td>
<td>Yes</td>
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<td><strong>Coverage/Benefits:</strong></td>
<td>Cash</td>
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<tr>
<td>- Primary Benefit</td>
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<tr>
<td>- Daily Benefit Amount (DBA)</td>
<td>$50 (Average)</td>
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<tr>
<td>- Unit of Payment</td>
<td>Daily or Weekly</td>
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<tr>
<td>- Minimum Duration in Years</td>
<td>NA - Lifetime</td>
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<tr>
<td>- Total Value</td>
<td>TBD</td>
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<tr>
<td>- Inflation Protection</td>
<td>CPI-U</td>
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<tr>
<td>- Advocacy Services</td>
<td>Yes</td>
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<td>- Advice and Asst. Counseling</td>
<td>Yes</td>
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<td><strong>Eligibility for Benefits:</strong></td>
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<tr>
<td>- 5 Year Vesting Period</td>
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<tr>
<td>- Work Req. Over Vesting Period</td>
<td>At Least 3 Years</td>
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<tr>
<td>- Earnings Req. Over Vesting Period</td>
<td>$1,120/Year</td>
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<tr>
<td>- 24 Months of Prior Prem. Payment</td>
<td>Yes</td>
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<tr>
<td>- Minimum Benefit Trigger</td>
<td>2 or 3 of 6 ADLs(^1)</td>
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<td>- Tiered Benefit</td>
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<tr>
<td>- Elimination Period in Days</td>
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<tr>
<td>- Presumptive Eligibility</td>
<td>Yes - if in Inst.(^2)</td>
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<td>- Administrative Expenses</td>
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<td>- Underwritten (Other Than Age)</td>
<td>No</td>
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<tr>
<td>- Indexed to Inflation</td>
<td>No</td>
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<tr>
<td>- Low Income Premium</td>
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<td>- Full Time Student Premium</td>
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<td>- Waiver of Premium</td>
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<tr>
<td>- Level Premium</td>
<td>After Age 65(^3)</td>
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<td>- Return of Premium</td>
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CLASS: Issues for Discussion

1. Who is likely to enroll in the CLASS program?
   • Modeling adverse selection/antiselection
   • Data limitations

2. What is the future long-term care utilization of enrollees likely to be?
   • Modeling future claim costs
   • Data limitations

3. Are other key assumptions reasonable?
   • Return on Investment (4.7%, 5.7%, 6.7% average annual rate of return)
   • Lapsation (.5%, .75%, 1% per year)
   • Morbidity Improvement (.25%, .5%, .75% per year for 20 years; 0% thereafter)
   • Mortality Improvement (1.31%, .78%, .32% per year)
CLASS: Issues for Discussion

4. What level of participation should we expect?
   • Range of 1% to 4%
   • Premium-demand interaction

5. What alternative program designs would put the program on stronger financial footing?
   • Minor changes (e.g., higher earnings requirements, indexed premiums, etc.)
   • Major changes (e.g., “family of options”; phased enrollment)

6. What strategies should we pursue to mitigate program risk?
   • Waiver of premium
   • Cross-subsidization
   • Other strategies?
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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]

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

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

APPENDIX C: Federal Register Announcement Establishing CLASS Office [2 PDF pages]
http://aspe.hhs.gov/daltcp/reports/2011/class/appC.htm

APPENDIX D: CLASS Office Organizational Chart [2 PDF pages]

APPENDIX E: CLASS Process Flow Chart [2 PDF pages]

APPENDIX F: Federal Register Announcement for CLASS Independence Advisory Council [3 PDF pages]
http://aspe.hhs.gov/daltcp/reports/2011/class/appF.htm

APPENDIX G: Personal Care Attendants Workforce Advisory Panel and List of Members [6 PDF pages]
http://aspe.hhs.gov/daltcp/reports/2011/class/appG.htm

Ga: Federal Register Announcement for Personal Care Attendants Workforce Advisory Panel

Gb: Advisory Panel List of Members
APPENDIX H: Policy Papers Discussed by the LTC Work Group [36 PDF pages]
http://aspe.hhs.gov/daltcp/reports/2011/class/appH.htm

APPENDIX I: CLASS Administration Systems Analysis and RFI [10 PDF pages]
http://aspe.hhs.gov/daltcp/reports/2011/class/appI.htm

APPENDIX J: Additional Analyses for Early Policy Analysis [150 PDF pages]
Full Appendix

Ja: A Profile of Declined Long-Term Care Insurance Applicants

Jb: CLASS Program Benefit Triggers and Cognitive Impairment

Jc: Strategic Analysis of HHS Entry into the Long-Term Care Insurance Market

Jd: Managing a Cash Benefit Design in Long-Term Care Insurance

APPENDIX K: Early Meetings with Stakeholders [4 PDF pages]
http://aspe.hhs.gov/daltcp/reports/2011/class/appK.htm

APPENDIX L: In-Depth Description of ARC Model [62 PDF pages]

APPENDIX M: In-Depth Description of Avalere Health Model [23 PDF pages]
http://aspe.hhs.gov/daltcp/reports/2011/class/appM.htm

APPENDIX N: September 22, 2010 Technical Experts Meeting [61 PDF pages]
Full Appendix
http://aspe.hhs.gov/daltcp/reports/2011/class/appN.htm

Na: Agenda, List of Participants, and Speaker Bios

Nb: Presentation Entitled “Actuarial Research Corporation’s Long Term Care Insurance Model”

Nc: Presentation Entitled “The Long-Term Care Policy Simulator Model”

Nd: Presentation Entitled “Comments on ‘The Long-Term Care Policy Simulator Model’”

APPENDIX P: June 22, 2011 Technical Experts Meeting

Full Appendix

Pa: Agenda and Discussion Issues and Questions

Pb: Presentation Entitled “Core Assumptions and Model Outputs”

Pc: Presentation Entitled “Actuarial Research Corporation’s Long Term Care Insurance Model”

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

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

APPENDIX Q: Table 2: Actuarial and Demographic Assumptions

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