APPENDIX Pe:

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

William Marton
Office of the Assistant Secretary for Planning and Evaluation
June 22, 2011
CLASS Independence Benefit Plan

Plan 1

Plan 2

Plan 3
CLASS Independence Benefit Plan
October 1, 2012

Plan 1
Plan 2
Plan 3
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

Plan 1

Plan 2: CLASS Partnership
- Basic
- Comprehensive

Plan 3
- Short Term
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

- **Total Daily Benefit**
- **Core Benefit**
- **Supplemental Daily Benefit**

Years Policy is Held:

- $0
- $25
- $50
- $75
- $100
- $125
- $150
- $175

Daily Benefit Amount:

- $0
- $25
- $50
- $75
- $100
- $125
- $150
- $175
## Summary of CLASS Partnership Plan

<table>
<thead>
<tr>
<th>Program Features</th>
<th>CLASS Benefit in Statute</th>
<th>Basic (Modified)</th>
<th>Comprehensive</th>
<th>Short Term</th>
</tr>
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<tbody>
<tr>
<td><strong>Enrollment Requirements:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Age 18+</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
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<td>Taxable Wages/Income</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
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<td>Actively Employed</td>
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<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
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<td>Not in Institution</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
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<td><strong>Coverage/Benefits:</strong></td>
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<td></td>
<td></td>
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<td>Primary Benefit</td>
<td>Cash</td>
<td>Cash</td>
<td>Cash</td>
<td>Cash</td>
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<tr>
<td>Daily Benefit Amount (DBA)</td>
<td>$50 (Average)</td>
<td>$50 (Average)</td>
<td>Varies - Up to $150$</td>
<td>Varies - Up to $200$</td>
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<tr>
<td>Unit of Payment</td>
<td>Daily or Weekly</td>
<td>Daily or Weekly</td>
<td>TBD</td>
<td>TBD</td>
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<tr>
<td>Minimum Duration in Years</td>
<td>NA - Lifetime</td>
<td>NA - Lifetime</td>
<td>3 Years</td>
<td>1 Year</td>
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<td>Total Value</td>
<td>TBD</td>
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<td>$73,000</td>
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<td>Inflation Protection</td>
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<td>CPI (2.8%)</td>
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<td>Advice and Asst. Counseling</td>
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<td><strong>Eligibility for Benefits:</strong></td>
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<td>5 Year Vesting Period</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
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<tr>
<td>Work Req. Over Vesting Period</td>
<td>At Least 3 Years</td>
<td>5 Years (or 40 Qs)$^5$</td>
<td>5 Years (or 40 Qs)$^5$</td>
<td>5 Years (or 40 Qs)$^5$</td>
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<td>Earnings Req. Over Vesting Period</td>
<td>$1,120/Year</td>
<td>$12,000/Year</td>
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<td>Prior Prem. Payment</td>
<td>Yes</td>
<td>Yes</td>
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<td>Yes</td>
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<td>Minimum Benefit Trigger</td>
<td>2 or 3 of 6 ADLs$^9$</td>
<td>TBD</td>
<td>HIPAA - 2+ ADLs$^9$</td>
<td>HIPAA - 3+ ADLs$^9$</td>
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<td>Tiered Benefit</td>
<td>Yes</td>
<td>Yes</td>
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<td>Elimination Period in Days</td>
<td>0</td>
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<td>Presumptive Eligibility</td>
<td>Yes - if in Inst.$^7$</td>
<td>Yes - if in Inst.$^7$</td>
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<td>Administrative Expenses</td>
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<td><strong>Monthly Premium:</strong></td>
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<td>Underwritten (Other Than Age)</td>
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<td>No</td>
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<td>Indexed to Inflation</td>
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<td>Yes (3%)</td>
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<td>Level Premium</td>
<td>After Age 65$^8$</td>
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<td>After Age 75$^9$</td>
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Indexed Monthly Premiums for CLASS Partnership: Comprehensive Option (Scenario II - Expected)

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<th>Age</th>
<th>Core (^1)</th>
<th>Supplement (^2)</th>
<th>Total</th>
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<tr>
<td>35</td>
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<td>$23</td>
<td>$132</td>
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<td>40</td>
<td>$121</td>
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<td>45</td>
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<td>50</td>
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<td>55</td>
<td>$162</td>
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<td>65</td>
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<td>$203</td>
<td>$371</td>
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<td>Average</td>
<td>$148</td>
<td>$99</td>
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\(^1\) Full waiver of premium, 2% participation
\(^2\) 60% loss ratio, SOA experience data
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<tr>
<th>Age</th>
<th>Comprehensive (Total)</th>
<th>MedAmer. Simplicity II</th>
<th>Prudential LTC3</th>
<th>United of Omaha AS Gold</th>
<th>NW QCare</th>
<th>FLTCIP</th>
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<td>$621</td>
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<td>$402</td>
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</table>

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)

<table>
<thead>
<tr>
<th>Age</th>
<th>Core</th>
<th>Supplement</th>
<th>Total</th>
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</thead>
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<tr>
<td>35</td>
<td>$72</td>
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<tr>
<td>65</td>
<td>$101</td>
<td>$108</td>
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</table>

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]


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]

Full Appendix

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

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