

## Long Term Care is Part of Healthcare Reform!

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The recently enacted Patient Protection and Affordable Care Act, healthcare reform, establishes a publicly administered voluntary LTC insurance program, The Community Living Assistance Services and Supports (CLASS).

First, there are as many unanswered questions as there are specifics in the law. We might have to live with uncertainty in plan benefits and plan premiums for the next two years, at a minimum. Since the Secretary of Health and Human Services must make plan details available for public comment by Oct. 1, 2012, we might not know everything that's relevant until then. Here's what we do know.

**Benefits:** CLASS will provide an average daily cash benefit of \$50/day, which will be adjusted for CPI-based inflation. There will be different benefit levels tied to degree of impairment. In addition, the number of projected beneficiaries receiving payments may affect per-person benefit levels. Benefits have no deductible or benefit-period limit. Although the benefit is paid in cash, there is a requirement that benefits be used to pay for an assortment of home-care services.

The \$50/day (\$1,500/month) average benefit may be adequate to help someone with a long-term care need stay at home. However, based on costs of professional care, \$50 will only provide two to three hours of home care each day. If you are looking to protect yourself against the cost of LTC look at the average cost of care in our area, \$215 per day, and purchase a level of protection commensurate with that cost. Private LTC insurance has a minimum daily benefit of \$50.

**No Health Underwriting:** The absence of a health-underwriting standard is good news and bad news, depending on your point of view. For clients who are uninsurable for health reasons, CLASS may be the only way for them to get even modest LTC coverage. However, a common outcome of this type of no-denial underwriting is adverse selection, whereby the least-healthy people choose to participate. This drives claims and premiums higher.

**Eligibility Requirements:** Individuals aged 18 or older who receive wages at a level that makes them taxable under the Old Age Survivors and Disability Insurance (OASDI) program or Railroad Retirement Tier 1 benefits are eligible to enroll in CLASS. Unemployed family members, people who will retire by 2013, or those who are already retired are not eligible to enroll in CLASS.

CLASS will be offered through employers who choose to participate. Employees in those firms will be automatically enrolled, but they will be able to opt out. Self-employed people will be able to enroll, as will people whose employers decide not to participate.

People must have earned income for three of the first five years of the program to be eligible to participate.

The other eligibility issue to watch is "cliff vesting." Here's how it works. During those first five years of paying into CLASS, a person is not eligible to make a claim for benefits. Therefore, CLASS, which is not expected to be available for enrollment until 2013, is not a viable planning option for retired or soon-to-retire clients. This is quite different than private LTC insurance, which provides coverage on the day it is put in force.

**Premiums:** With the exceptions of two enrollee groups, premiums are not addressed in the law. Employed students age 18 or older and those employed adults below the poverty level will pay \$51 month. For other enrollees, premiums will be adjusted for age at enrollment. Since taxpayer funds can't be used to pay benefits, and since premiums are required to promote program solvency, the stability of CLASS premiums is a huge question. Actuaries are warning that CLASS premiums may be much more expensive than private LTC insurance.

**Comments:** CLASS has good elements, but it also has aspects that cause LTC insurance advisors concern. CLASS will raise awareness of the importance of funding in-home long-term care. We believe that planning for future LTC expenses is an important part of retirement planning, and advocate making informed decisions based on options available today, then reevaluating as more CLASS details become known.

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### Ask the CFP®

Q. What does a beneficiary designation accomplish?

A. Retirement plans, life insurance policies, trust, and other documents allow you to name a beneficiary: the person who will receive your assets when you pass away. Many accounts allow you to select multiple beneficiaries, along with the dollar amount or percentage of proceeds each would receive. It is a good idea to review your beneficiaries after a significant life event such as marriage, divorce or the birth of a child.

If you do not name a beneficiary, federal or state law may determine one for you. For example the beneficiary of a 401k or other qualified retirement plan is the account holder's spouse, unless he or she signs a notarized document allowing someone else to be named as beneficiary.