



About LTCI Partners

LTCI Partners, LLC is a brokerage general agency specializing in long-term care planning solutions. We operate nationwide with our headquarters in Illinois and five regional offices. LTCI Partners provides a full range of products and services, including:

- LTCi training and marketing
- Plan design and proposal support
- Field underwriting inquiries
- Association, group, individual and asset-based LTCi solutions
- Application submission and processing
- Case management
- Carrier appointments

Our customers include Financial Planners, Life Insurance Producers, Benefit Advisors, CPAs, Banks, Broker-Dealers and others interested in adding long-term care insurance to their product portfolio.

One of the most essential pieces of a sound financial plan is long-term care insurance. Because of its importance, and the difficulties involved in staying on top of such a dynamic market, LTCI Partners has designated a national platform to provide expert assistance to advisors as they look to provide the best advice to their clients.

LTCI Partners is available to provide you assistance with everything from pre-screening and proposal preparation, to obtaining applications and answering your client's questions.

Please contact us for all your long-term care insurance needs.

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THE CLASS ACT

LTCI Partners' Guide to What You Need to Know About the
"Public Option" for Long-Term Care Insurance



It is official; a voluntary cash benefit long-term care insurance program has now become law. Below is LTCI Partners' advice on how the CLASS Act insurance program will work — and more importantly, affect you.



SUMMARY

The CLASS act stands for Community Living Assistance Services and Support Act, and is Title VIII of the Health Care Reform Bill. It is a legacy of the late Senator Ted Kennedy. The plan creates a voluntary government run long-term care insurance program and is effective January 1, 2011. However, the Department of Health and Human Services has until October 1, 2012 to design the plan, and it is not anticipated to be ready until 2013.

ELIGIBILITY

All actively at work Americans 18 and older will be eligible. The actively-at-work requirement is anticipated to have a low income threshold based on Social Security. Claim eligibility will be determined by the Department of Health and Human Services, but will be similar to tax-qualified LTC insurance.

BENEFITS

The program will probably provide a benefit amount of at least \$50 cash per day for participants who fail two of six activities of daily living or have cognitive impairment. The benefits last for an unlimited period of time and should increase annually to the consumer price index (CPI). It is also anticipated that the benefits will increase with disabilities. For example, three of six ADL's at \$75 per day, four or more ADL's at \$100 per day. These benefits are yet to be determined.

UNDERWRITING

The plan is guaranteed issue with no underwriting except for the actively-at-work requirement.

WAITING PERIOD

Individuals must pay premiums for a 60-month period before being able to access benefits, creating a "vesting" period for plan participants. Since the plan may not be available until 2013, it may be at least eight years before anyone could access benefits.

PREMIUMS

The premiums will be determined by the Secretary of Health and Human Services and are based on a 75-year solvency requirement. The premiums are designed to remain level, but may be increased annually depending on the solvency of the plan. Premiums should be rated based on age.

ENROLLMENT

Employers may provide payroll deduction for the plan. Employers will have the option of having an auto-enrollment feature such as with 401(k) plans. Self-employed will also be eligible to enroll with a mechanism to be determined. The tax treatment of premiums should be the same as private long-term care insurance.

FUNDING

The law specifically prevents tax dollars from being used for the plan. The entire plan must be self-sustaining through voluntary employee enrollments.

Based on experience with private LTC insurance, the adverse selection due to a voluntary guaranteed issue long-term care insurance means the CLASS act must get a high level of participation to be fiscally viable in the long term. In our opinion, the Congressional Budget Office has unrealistically optimistic projections about enrollment in the plan. These projections allow the plan to offset part of the initial 10-year cost of health care reform.

The law allows only 3% of money to be used for marketing or administration. Private LTC group insurers spend much more in order to increase awareness in a voluntary program, underwrite risk and manage claims properly.

The \$50 daily benefit is a fraction of what is needed for quality home, assisted living and private nursing home

care. For example, according to the 2009 Genworth Cost of Care Survey the national average for home care is \$17.48 per hour and the average private nursing home costs \$203.32 per day.

Because private group LTC insurers can medically and demographically underwrite groups, they will be able to offer more attractive premiums and rates than the CLASS act program. In addition, those interested in care management and prompt claim service will be attracted to the private plans. Current LTC carriers may be able to attract a healthier, wealthier and more educated customer while the government option will struggle to attract this key buying audience. Increasing awareness of the issue could lead to renewed interest in LTC planning.

THE AMERICAN ACADEMY OF ACTUARIES

predicted that to maintain solvency of the program, 6% of eligible Americans would have to participate at a monthly premium cost of \$160. The Chief Actuary of the Centers for Medicare and Medicaid services predicts that only 2% of those eligible would participate, and that premiums would be as high as \$240 per month.

FEATURE	ELIGIBILITY	PREMIUMS	WAITING PERIOD	UNDERWRITING	BENEFIT AMOUNT	BENEFIT PAYMENT METHOD	CONTRACT	CLAIM ELIGIBILITY
<h2>THE "CLASS" ACT PROGRAM</h2>	Actively at work 18 or over and cannot be on Medicaid	Premiums to be determined by Secretary of Health and Human Services. Premiums are based on age and are designed to remain level. Actuaries ¹ estimate premiums will average \$160 per month: <ul style="list-style-type: none"> • \$136 per month for ages 18-39 • \$144 for ages 40-49 • \$152 for ages 50-59 • \$231 for ages 60-69 • \$277 for ages 70-79 	Must be enrolled 5 years before benefit eligible	No underwriting – guaranteed Issue	Fail 2 of 6 ADL's or cognitive impairment-\$50 per day indexed for inflation. Additional ADL loss may increase benefits	Cash disability model There is no limit duration Benefits inflation increases with the CPI	Based on promise from federal government	Automatic if discharged from a hospital, nursing home or mental care facility for long-term care. HHS to determine claim process
<h2>PRIVATE LTC PROGRAM</h2>	Typically 18 and older	Age based and are designed to remain level, although premiums can be raised for a class in a state. Premiums for \$80 per day plan with CPI compound inflation rider, and maximum lifetime benefit of \$146,000 (5 years of coverage) plus \$1,000,000 if exhausted: <ul style="list-style-type: none"> • Age 20 – \$40.50 • Age 30 – \$42.83 • Age 40 – \$54.00 • Age 50 – \$76.34 • Age 60 – \$110.79 • Age 70 – \$221.11 	Immediately after satisfying elimination period	Ranges from fully underwritten to guaranteed issue depending on group size and demographics	Range of options available from \$50 per day to \$300 per day and higher	Either reimbursement or cash disability model Duration is typically bought as a "years of care" (2,3,4,5 lifetime) or as a pool of money from \$100K to \$1,000,000 or more Benefit inflation coverage optional	Based on contract between carrier and individual	Insurance carrier based on contract language

¹Source: American Academy of Actuaries