

THE CLASS ACT

February 20, 2011

Community Living Assistance Services and Support (CLASS) Act



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this

The CLASS Act (Community Living Assistance Services and Support Act) is a voluntary, federally administered, consumer-financed insurance plan. It became law when President Obama signed the Patient Protection and Affordable Care Act on March 23, 2010. The CLASS plan provides those who participate with cash to help pay for needed assistance, if they become functionally limited, in a place they call home — from independent living to a nursing facility, if they choose.

Q: When does it start?

Most provisions of the CLASS Act are "effective" January 1, 2011. But before people can begin signing up to participate, the secretary of Health and Human Services ("the secretary") must develop the details of the plan and implement it. The law requires the Secretary to release the details of the plan no later than Oct. 1, 2012. **So it is likely that people will be able to sign up sometime after that--in 2012 or 2013.**

Q: Who will be eligible to enroll?

All Americans who are "actively at work," age 18 and older, and not living at the time in a nursing home (or other institution) will be eligible to enroll. **People cannot be excluded from enrolling due to pre-existing conditions such as having a physical disability or other health issues. The actively-at-work requirement includes part time workers and those who are self-employed.** The secretary will develop the details of the actively-at-work requirement.

Q. How will people enroll?

For people employed by an employer who decides to participate, the employer will sign people up automatically, with premiums handled through a payroll deduction like many other benefits. Any person who chooses not to participate may do so by "opting out." Neither employees nor employers are required to participate in the program. Employers may pay all or part of the premiums but are not required to do so. The secretary will develop enrollment procedures for those who are self employed or whose employer chooses not to participate in the automatic payroll plan.

Q: What are the benefits?

The plan will pay a cash benefit, no less (on average) than \$50/day. The benefit cash amount will be pegged to an assessment of a person's need for help due to a physical or cognitive limitation. A benefit payment scale, to be developed by the Secretary, will result in higher cash benefits for people with greater need for help with basic activities of living such bathing, eating, dressing, and mobility. The cash benefit amount will increase annually to keep up with inflation. There is no lifetime limit on the benefits. When a

THE LIGHTER SIDE

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The Declaration of Independence is 1,337 words and the Bible is 773,000 words, however, the IRS tax code is over 7 million words.

There are more that 480 different tax forms. The IRS sends out 8 billion pages of forms and instructions each year.

The IRS employs 114,000 people; more than twice as many as the CIA and more than five times as many as the FBI.

Americans spend \$200 billion and 5.4 billion hours working to comply with the federal tax law each year.

CLASS Act plan participant has a qualifying level of disability and begins receiving cash benefits, benefits continue until the person no longer has a qualifying level of disability. Over a life-time, a person could have several separate instances of qualifying for benefits.

Q. What is a "qualifying level of disability"?

The law requires the secretary to determine the details of this. The law requires the secretary to choose between a loss of the ability to perform 2 activities of daily living or a more stringent point (3 activities of daily living) to serve as the minimum level of disability to qualify for benefits. In either case, the level of disability would need to be expected to continue for at least 90 days to count as a qualifying level of disability for the CLASS Act plan. The secretary will also design the details of how the assessment process (to determine eligibility for benefits) will work.

Q. What else, besides signing up and having a qualifying level of disability, do I need to do before I can receive the cash benefit?

In general, after signing up for the program, a participant will need to pay premiums for five years and be actively at work for three of these years before receiving benefits. So long as a person keeps paying premiums after the three years actively-at-work requirement is met, a person is still considered a CLASS Act plan participant. For example, a person who retired from work completely after the three year period would be eligible for benefits, assuming they met the five year vesting requirement, had kept up with the premium payments, and had a qualifying level of disability. Special rules will apply for people who are enrolled for a time, drop out, but then sign up again.

Q. What will the premiums cost?

The law requires the Secretary to develop a financially sound program with the best mix of benefits, premiums, and other features to meet customers' needs and assure program solvency. Setting the right premium prices requires additional detailed actuarial analyses, using the most up to date information and a scientific, transparent process. The secretary will work with an advisory council, including consumer representatives and technical experts, to develop these details, which are due to be finalized no later than Oct. 1, 2012.

These features regarding premium prices are in the law:

Premiums may be lower for younger people than for older people when they sign up. [This is likely to be how the program works because, in general, younger people will pay premiums for more years than older people who sign up at the same time.] Premiums are intended to remain the same for a person from the time the person signs up—there is no automatic increase in an individual's premiums like there is for benefits. People with health issues or a disability may not be charged higher premiums because of those factors. Working students and people with low income (up to the federal poverty level) will be charged a special low premium price such as \$5/month. Special rules regarding premium prices will apply to people who enroll, drop out, and re-enroll later.

Q: Are there any estimates now of what those premiums might be?

During the long course of the CLASS Act plan's development, a number of estimates were made of the premiums that could be required for a financially sound plan. These estimates vary widely depending on the version of the law (which changed as it went through the legislative process) analyzed, the data and the assumptions used. Many commonly cited estimates reflect studies of much older versions of the CLASS Act. No analysis to date exactly matches the complete details of the CLASS plan that will be implemented, as these details have yet to be determined. As Congress debated the version of the CLASS Act that is now the law, the non-partisan Congressional Budget Office (the official "score-keeper") provided estimates of average premiums. **The Congressional Budget Office (CBO) estimated that average premiums would be**

\$123/month (lower for younger people, higher for older people). Naturally, the CBO estimate included assumptions about some detailed elements of the program that might be different when the final plan is ultimately determined. In addition, the CBO assumed, among other things, that the CLASS Act plan would have relatively low enrollment, such as that found with private long-term care insurance. Higher rates of participation would, in general, lead to lower premium prices.

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