

Predictable Ambiguity?

Healthcare Reform Creates CLASS Provisions

by Chad Bodner, RHU, REBC

The Patient Protection and Affordable Care Act recently signed into law has created substantial changes for our nation's healthcare system.



Among the notable changes are the Community Living Assistance Services and Supports (CLASS) provisions. Although this bill has been characterized as a long-term care program, it has been primarily designed to provide assistance to the working disabled. While the details of the CLASS provisions are still being developed by the Department of Health and Human Services (HHS), there are certain provisions that bear discussion.

Clarifying CLASS

Simply explained, the CLASS provisions create a voluntary government program under which participants will be offered long-term care coverage through their employers. Each employer must choose whether or not it wants to adopt the provisions of the CLASS plan. If an employer does adopt the plan, employees will be covered automatically unless they choose to opt out. Employees who enroll will pay a monthly premium and receive coverage on a guaranteed-issue basis. There is no requirement for the employer to contribute toward such premium. The monthly premium, to be taken through payroll deduction, has yet to be determined, but according to estimates from the chief actuary of the U.S. Centers for Medicare & Medicaid Services, the average monthly premium may be around \$240. Premiums can be adjusted annually by the Secretary of HHS to ensure the program's solvency.

Once enrolled, participants are required to pay premiums for 5 years, having worked 3 of those 5 years. After such time, they will be eligible to receive modest benefits for their long-term support and service needs. In order to be eligible for enrollment, participants must earn a certain level of wages; this income level has yet to be determined.

Due to the highly limited nature of the long-term care benefits that will be offered under CLASS, as well as potentially high premiums due to adverse selection, we recommend at this time that all private long-term care insurance policyholders retain their current policies.

Benefits eligibility

In order to qualify for benefits, the participant must have either: (1) a functional impairment expected to last more than 90 days that will require considerable assistance with several daily living activities; or (2) substantial cognitive impairment. Although the exact benefits have yet to be determined, Senate Democrats recently estimated the average benefit to be approximately \$75 per day. This amount is a fraction of the current nursing facility costs, which averaged \$219 per day in 2009.

With the bill already signed into law, it must now go before HHS for the terms of the program to be determined. The law calls for the benefit plan to be finalized by October 1, 2012, followed by a public comment period.

FAQs

I heard that CLASS becomes effective in January 2011. Is that true?

HHS currently has until October 1, 2012 to design the CLASS benefit plan. It must also issue regulations and develop a number of procedures to determine how the program will operate. Given that additional time will be needed for public commentary following that date, we anticipate that it will be at least 2 to 3 years before the CLASS program is available for enrollment.

Will my organization be required to participate in the CLASS program?

No. Employers will be permitted to opt out of the program.

If my organization decides not to participate, will we be fined or otherwise penalized?

No. Employers who choose to opt out will not be fined or penalized in any way.

Good or bad idea?

Due to the highly limited nature of the long-term care benefits that will be offered under CLASS, as well as potentially high premiums due to adverse selection, we recommend at this time that all private long-term care insurance policyholders retain their current policies. We also recommend that employers who do not currently offer a long-term care policy review the available options in the marketplace. By carefully evaluating both governmental and nongovernmental offerings, consumers will be in a better position to choose a product that offers quality benefits at the most competitive cost.