

Overview of the “Class Act”

As of April 7, 2010

You may have heard that the new health care reform law (the Patient Protection and Affordable Care Act) includes a provision for long-term care coverage under the Community Living Assistance Services and Supports (CLASS) Act. This new program allows for the creation of a voluntary government plan that provides some long-term care coverage, once certain requirements are met. Although most of the program’s details have not yet been determined and the program itself may not be operational for two to three years, we are happy to provide you with the information that is available at this time. We hope this summary of the CLASS Act is useful. If you have additional questions, please call John Hancock.

Program Timing

- The CLASS Act is not expected to be operational until 2013 as the plan details and administrative infrastructure still need to be developed by the Department of Health and Human Services.

Program Eligibility

- Coverage is offered through employers to actively working people.
- Employers are allowed to opt out of the CLASS Act program.
- Participants must be at least 18 years old and actively employed at time of purchase. Entrance into the plan is guaranteed if you meet eligibility criteria and pay the required premiums.

CLASS Premiums

- Premiums will be paid by plan participants — not taxpayers.
- Premiums for participants with income under the federal poverty level and for students will initially be \$5 per month.
- Although final premiums have yet to be determined, the Chief Actuary of the Centers for Medicare and Medicaid Services (CMS) has estimated that “an initial average premium level of about \$240 per month would be required to adequately fund CLASS program costs for this level of enrollment [2%], adverse selection, and premium inadequacy for students and low-income participants.”¹
- The law permits premiums to be increased yearly to ensure that the CLASS fund is actuarially sound.

CLASS Act Benefits

- The CLASS benefit plan has not been defined, although the law provides that the cash benefit could be as low as \$50 per day on average. Benefits are paid for as long as care is needed and will increase every year, based on the Consumer Price Index for All Urban Consumers. Please note that the average cost of long-term care in the U.S. today ranges from \$97/day at home to \$202/day in a nursing home.²

Benefit Eligibility and Five-Year Vesting Period

- Participants would need to pay premiums into the program for five years and must earn wages for at least three of those years before they could be eligible for benefits. This means it is unlikely that an individual would be able to access benefits before 2018, even if he/she would otherwise meet the benefit eligibility criteria. Participants would need to continue paying premiums thereafter to remain eligible for CLASS benefits.
- A participant must also have one the following functional limitations (as certified by a licensed health care practitioner), that is expected to last for a continuous period of more than 90 days:
 - the inability to perform at least two or three of the activities of daily living (eating, bathing, dressing, continence, toileting, and transferring) without substantial assistance from another individual (a final determination of whether the minimum requirement will be two or three activities of daily living has yet to be made);
 - the need for substantial supervision to protect the individual from threats to health and safety due to substantial cognitive impairment;
 - a level of functional limitation similar (as determined under regulations prescribed by the Secretary) to the level of functional limitation described above

1. Richard S. Foster, Chief Actuary (January 8, 2010) Estimated Financial Effects of the "Patient Protection and Affordable Care Act of 2009," as Passed by the Senate on December 24, 2009, p.14.

2. John Hancock Cost of Care Study, conducted by CareScout, 2008.

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