

The New York Times

YOUR MONEY

The Changes to Save a Big Idea

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April 30, 2011



Kathleen Sebelius, the secretary of health and human services, has a little leeway to revise the Class Act, which promises a benefit of at least \$50 or so a day that lasts until death if necessary.

One of Senator Edward M. Kennedy's final acts as a legislator was to try to make it easier to buy insurance that could help pay for assistance in your home if an injury or illness made it hard to live life normally.

In fact, he spent about a decade working on it, finally succeeding when the Class Act, short for Community Living Assistance Services and Support, became law as part of last year's landmark health insurance package.

In recent months, Kathleen Sebelius, the secretary of health and human services, has said that it will be difficult to make the offering both affordable and actuarially sound without some alterations.

Also, Ms. Sebelius or her successor could decide to shut down the program before it pays a dollar of claims and return any premium money to participants.

Plenty of politicians are furious about the fact that something like this became law without the long-term numbers adding up.

May 1, 2011 READERS' COMMENTS

The CLASS program will be available on a guaranteed-issue basis to all actively working individuals who are at least 18 years old and not already receiving care in a facility.

Since there are no underwriting requirements there be will be a significant number of high risk and/or disabled enrollees. This presents a good opportunity for enrollees with poor health and a tremendous liability for enrollees with average or good health. Healthy enrollees will likely need to subsidize enrollees with poor health, as premiums are likely to rise when those with poor health require long term care.

Before participants can even apply for benefits, they need to pay premiums into the program for five years and must earn wages for at least three of those five years. Thus, participants may need to pay for care out-of-pocket until the five-year vesting period is satisfied. Obviously, retirees and those close to retirement cannot even participate in the CLASS program.

The CLASS program's benefits, which can be as low as \$50 day per day, are inadequate for most long term care settings. The median cost of long term care in the U.S. in 2010 ranged from \$152 per day at home to \$206 per day in a nursing home. The median cost of long term care in New York State in 2010 ranged from \$170 per day at home to \$320 per day in a nursing home.

Unlike many traditional long term care insurance policies, the CLASS program is not approved under Long Term Care Insurance Partnership Programs. Most states' Long Term Care Partnership Programs allow long term care insurance policyholders to protect their assets from Medicaid on a Dollar for Dollar basis - for every dollar your policy pays in benefits, a dollar of assets is ignored by Medicaid. Some states, including New York, offer 100% Medicaid asset protection through Total Asset Protection – an unlimited amount of assets are ignored by Medicaid.

You can apply for private long term care insurance, whether or not you have earned income. Unlike with the CLASS program, you may be eligible for benefits the day after you purchase your long term care insurance policy - depending upon the elimination period you selected.

Since individual long term care insurance policies are underwritten, most insurers offer spousal/partner discounts and/or good health discounts. These combined discounts can reduce premiums as much as 40%.

Accelerated payment methods of your long term care insurance premiums can address your concerns about potential rate increases (which must be approved or denied by your state's insurance commissioner). Many insurance companies offer a "Pay-to-65" option that allows you to pay the premiums until you reach age 65, at which time the policy is paid in full. Many insurance companies offer a "10-Pay" that allows you to pay the premiums over a period of 10 years, at which time the policy is paid in full. Some insurance companies offer a "Lump Sum" option that allows you to pay the premium as one up-front payment, at which time the policy is paid in full.

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