



SOCIETY OF ACTUARIES

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Why I Support the CLASS Act

by Scott A. Olson

I admit that I was against the CLASS Act initially. After reading it, I came to the conclusion that it would dramatically *increase* private LTCI sales for at least three reasons:

- 1) By raising awareness of the need to plan for long-term care through the mandated “you’re included unless you opt out” provision,
- 2) By allowing Section 125 plans to be used to pay LTCI premiums on a tax-favored basis, and
- 3) By demonstrating how good private LTCI is when compared to the CLASS Act (see points A, B, C and D below.)

Human nature is that we don’t appreciate what we have until we have something to compare it to. Similarly, I don’t think consumers appreciate how marvelous private LTC insurance is because they have nothing else to compare it to.

- A. No LTC insurer states that your premiums could increase four-fold (200 percent) in the next 20 years; but the CLASS Act states that. (To my knowledge, only one LTC insurer has had increases that approached those percentages and that insurer has been taken over by the PA DOI.)
- B. No LTC insurer could decide to decrease your benefits at any time (without your consent) in order to maintain financial viability; but the CLASS Act states that the Secretary of HHS must do that to keep the program fiscally sound.

C. No LTCI policy would deny all claims within the first five years you pay the premium; but the CLASS Act will do that.

D. No LTC insurer requires that you work for three of the next five years in order to keep your coverage; but the CLASS Act requires that.

EVEN IN TERMS OF COST, THE CLASS ACT IS NOT CHEAP

Every article I’ve read about the CLASS Act states that it is cheaper than private LTCI; but it’s NOT cheaper when you do an apples to apples comparison. I’ve run the numbers and a healthy married person, under the age of 65 can get \$50 of Daily Benefit, a CPI Automatic Inflation Benefit, and a Lifetime Benefit Period, for LESS than the average projected \$65 per month that the CLASS Act will charge.

The only downside to the CLASS Act is if people assume “that they are covered” and don’t realize that they’ll need at least a supplemental LTCI policy to cover the full cost of care. But, most people think they are covered for LTC expenses already anyway. I believe that the positive results of the CLASS Act will outweigh this potential downside.

I support the CLASS Act and I hope that it becomes law. ■



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