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Impact of CLASS or "Son-of-CLASS" Act

by Jesse Slome



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Even if we were not based in Los Angeles, my crystal ball comes up cloudy when trying to predict the ultimate outcome of health care (insurance) reform and any impact it will have on long-term care.

But one thing I strongly believe. Even if the CLASS Act does not make its way into final legislation, we will inevitably see son (or daughter) of CLASS. That is inevitable. Thus to ignore the obvious is ... well, even actuaries know what happens when you ignore the obvious.

While the American Association for Long-Term Care Insurance does not lobby or take political positions, as part of our role as advocates for the industry and our members, we certainly take a position. So, am I positive or negative in terms of the impact of CLASS. My answer is an unequivocal "yes." That's partly due to a belief that the current legislative destiny of the United States will result in an ever increasing series of government programs (long-term care included).

On the positive side, CLASS will provide the opportunity for long-term care insurance to redesign policy provisions. No one has taken the bold step of declaring level premium policy pricing antiquated and inappropriate for a product targeting 50-year-olds. CLASS could allow significant rede-

signs and it would be a missed opportunity not to. Secondly, LTCI suffers from a split public persona. We try to give the impression that "it's for everyone" but that really doesn't sit well when you consider the cost. Medicare Supplement Insurance is a better role model that a post-CLASS LTCI world will emulate (smart folks in corporate marketing departments are likely already trademarking LTC Supplement Plan names).

On the negative side, any federal plan won't be priced properly. The American Academy of Actuaries report goes into this in great detail. The framers of CLASS smartly offer a "voluntary" plan but the voluntary function will, I suspect, be short-lived. Ultimately, we will see a new entitlement plan funded by future generations with a new addition to Medicare taxation. Secondly, the real risk is media coverage and consumer complacency. The media doesn't always get it right and 15-second soundbites of new federal long-term care insurance could result in consumers saying "got that covered." A shrinking marketplace will force smaller insurers out of the arena resulting in fewer producers marketing the product. This is the opposite of what it takes to build a strong and vibrant marketplace.

That said, long-term care is a problem the United States must deal with. That we know is obvious. It's just the outcome that remains unclear. ■

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