



An Employer's Guide to the CLASS Act



Making the best decision for your organization

For all the debate about health care reform, many of the details of the Patient Protection & Affordable Care Act have yet to be determined. What we do know is that there are changes ahead that will affect every employer in the country. One of those changes is the introduction of a new, voluntary long-term care (LTC) assistance program, administered by the federal government, under the Community Living Assistance Services & Supports (CLASS) Act provisions.

Within the next couple of years, you will need to decide whether your organization will participate in the CLASS program. Since there are no penalties for opting out, now may be a good time to consider whether you would be better served by the addition of private LTC insurance to your portfolio of benefits.

Overview of CLASS Act Provisions

One of the stated purposes of the CLASS Act is to help individuals with functional limitations maintain their personal and financial independence by providing them with access to assistance that covers their long-term care needs.

The Department of Health and Human Services has been given until January 1, 2012, to develop a number of procedures covering how the program will operate. They are also charged with designing the CLASS benefit plan by October 1, 2012. Over the coming months and years, more specific details about the CLASS Act program will emerge. This is what the CLASS program looks like based on current information.

Eligibility

The CLASS program will be available to all actively-at-work individuals who are at least 18 years of age. Coverage will be offered on a guaranteed-issue basis, meaning that proof of good health will not be required for participation.

Benefits

The CLASS program will provide benefits, as low as \$50 per day on average, for as long as the individual remains disabled. Exact benefit amounts will be based on the degree of impairment, and will increase annually based on changes in the Consumer Price Index (CPI). Unfortunately, these benefits may not be adequate to meet the needs of many individuals, when you consider that the average cost of long-term care in the U.S. today ranges from \$114/day at home to \$202/day in a nursing home.¹

Cost

The CLASS program is required to be paid for by enrollee premiums and not with taxpayer dollars, as some have mistakenly assumed. Early speculation is that CLASS premiums could be quite costly—the initial average premium may be as high as \$240 per month.²

1. Based on the John Hancock Cost of Care Study, conducted by CareScout, 2008.
2. As estimated by the Chief Actuary of the Centers for Medicare and Medicaid Services (CMS), in order to adequately fund CLASS program costs for this level of enrollment [2%], adverse selection, and premium inadequacy for students and low income participants (who will initially pay only \$5 per month). Richard S. Foster, Chief Actuary of the Centers for Medicare and Medicaid (January 8, 2010) Estimated Financial Effects of the "Patient Protection and Affordable Care Act," as passed by the Senate on December 24, 2009, p.14.
3. Georgetown University Long-Term Care Financing Project, "Long-Term Financing Policy Options for the Future," June 2007.
4. U.S. Department of Health and Human Services, National Clearinghouse for Long-Term Care Information, www.longtermcare.gov, September 2008.

THE NEED FOR LONG-TERM CARE IS REAL

- Of those who have long-term care needs, 41% are under age 65.³
- At least 70% of people who reach age 65 will require long-term care services at some point in their lives.⁴

Five-year vesting period

Participants will need to pay premiums into the program for five years and must earn wages for at least three of those years before they can be eligible for benefits, regardless of whether they would otherwise qualify. As a result, many claimants will need to pay for care out-of-pocket until the five-year vesting period is satisfied. In addition, the requirement that wages be earned for three years could potentially impede access to CLASS coverage for those employees closest to retirement.

Benefit triggers

Once the five-year vesting period has been satisfied, participants must also satisfy one of the following benefit triggers:

- ✓ 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 of Health & Human Services) to the level of functional limitation described above

Enrollment

For employers who choose to participate in the CLASS program, their employees will be automatically enrolled and premiums will be collected via payroll deduction. Employees can then choose to opt out without penalty. In the future, there will be designated enrollment and disenrollment periods, to be determined by the Secretary of Health & Human Services.

AVAILABILITY

Since the CLASS provisions may not be finalized until late 2012 or sometime in 2013, and with the five-year vesting period requirement, CLASS benefits will likely not be available until 2018.



Reasons to consider private LTC insurance

There is little doubt that the CLASS Act will improve the lives of many disabled Americans. The program will also highlight the many issues surrounding long-term care and will call unprecedented attention to the need to prepare for the possibility of long-term care at younger ages.

However, because of its limitations, the CLASS provisions may not represent the best long-term care solution for many employers or their employees. Private LTC insurance may be a better choice for employers who seek to differentiate themselves from their peers and for employees who seek broad coverage that also protects their family members.

LTC insurance is growing in popularity among employers

The number of employers offering LTC insurance coverage has increased more than 892% over the past 13 years.⁵

5. U.S. Employer-Sponsored Group Long-Term Care sales reports, 1995–2008.

Advantages for employees

Prepare for the unexpected

Although often associated with the elderly, the need for long-term care can happen at any time during someone's life, due to accident or illness. Private LTC insurance does not carry a five-year vesting period requirement and will start paying benefits as soon as benefit triggers have been met and the qualification period (usually 90 calendar days) has been satisfied.

Safeguard quality of life

The right amount of coverage can have a real impact on the quality of claimants' experiences, by giving them more freedom to choose exactly the kind of care they desire. LTC insurance not only offers a wide range of benefits, but also includes features like the Stay-at-Home Benefit, which offers additional flexibility that most people appreciate. The basic level of benefits expected to be offered by the CLASS Act could cause individuals to compromise on the level or frequency of care they receive and make the long-term care situation more challenging.

Protect the financial/retirement plan

Another benefit of having the choice to purchase more substantial coverage is knowing that it will cover the majority of long-term care costs, regardless of the kind of long-term care needed or where in the country it is received. Private LTC insurance offers a wide range of daily benefit levels up to \$350 a day, that may be better able to cover the high cost of care. Individuals can then use their savings or retirement funds exactly as they were intended. The CLASS benefits, which could be as low as \$50 a day on average, would probably need to be supplemented, which could quickly deplete a lifetime of savings.

ADDRESSING THE HIGH COST OF CARE

Long-term care can be expensive. Consider these national averages and keep in mind that they can be much higher depending on geographic location:

- \$204 a day for a private room in a nursing home⁶
- \$114 a day for a home health care aide, based on 6 hours of care received per day⁶

Advantages for your organization

Enhance your benefits package

A competitive benefits package may be one of the best ways to distinguish yourself from your peers. Group LTC insurance provides coverage that is not found in either medical or disability insurance. And because it can be offered on a voluntary basis, you can significantly enhance your organization's benefits offering for minimal expense.

Attract the best and brightest

Most employers would agree that good employees are hard to find and that the great ones can be hard to retain. While your total compensation plan may be attractive, savvy employment candidates may also be interested in ways they can protect the savings they work so hard to acquire, should they need long-term care. Group LTC insurance might be the key benefit they are looking for.

Regain lost productivity

It's a simple fact that employees may be caregivers long before they need care themselves. Employees who find themselves in this role can be significantly less productive, as they spend time at work dealing with the long-term care issues of a family member. Group LTC coverage includes valuable caregiver support services, which enable uninsured dependents to access the same provider evaluations and discounts that insureds can access, alleviating much of the worry associated with caregiving.

THE IMPACT OF CAREGIVING ON THE WORKPLACE

Caregiving imposes a tremendous cost on employers. Disruptions and absenteeism due to employees' caregiving duties cost U.S. employers up to \$33.6 billion per year.⁷

7. The Caregiving Project for Older Americans, "Caregiving In America" 2007.

Working with John Hancock

John Hancock's group LTC insurance can help your organization meet its goals and help your employees protect themselves and their loved ones from the emotional and financial burdens often associated with the need for care. It's an easy way to do the right thing for your business and the employees that you depend on.

John Hancock group LTC insurance offers:

- ✓ *Flexible plan designs that can be customized to suit your population*
- ✓ *Guaranteed acceptance or other underwriting concessions coverage for eligible, actively-at-work employees*
- ✓ *An experienced account team that will handle all aspects of installation and administration*
- ✓ *A proven track record of successful enrollments at some of the country's most prominent employers*
- ✓ *A comprehensive marketing campaign, featuring the convenience of on-line enrollment*
- ✓ *Centralized resources to ensure outstanding customer service*
- ✓ *Compassionate care coordination to assist claimants and their family members*

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