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2010 Payroll Fact Sheet

What About Long Term Care?

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In the heated debates about the new health care law, one critical provision received little press: the **Community Living Assistance Services and Supports (CLASS) Act**. This pay-ahead program will feature a government-sponsored long term care plan that offers a modest level of coverage to working Americans. While the CLASS Act is being praised for bringing attention to the need for long term care, it will be years before the government has developed and defined the specific details that indicate how the program will work in practice. Here is what we do know.

Why the focus on long term care?

- According to the new health care law, long term care is a top priority.
- Long term care has also become a hot-button issue for working professionals.
- At least 70 percent of people over age 65 will require long term care services.¹
- Many mistakenly assume that existing social programs such as Medicare and Medicaid will cover these costs.

Is participation in the government CLASS program mandatory?

- No. It appears employers will be given the choice to opt out.
- At this point, it also looks like there will be no fines or penalties for opting out.
- For those employers who choose to offer the program, it is likely that employees will be automatically enrolled.

How will the CLASS program be funded?

- Through payroll deductions. Those workers in the program will pay a monthly premium.
- The average premium amount will likely need to be about \$240 per month to fund all program costs.
- Full-time students and the working poor will likely pay \$5 per month.²
- Premiums could be increased annually, if necessary.

What are the CLASS coverage terms?

- Participants will be covered on a guaranteed-issue basis, meaning the program is not medically underwritten.
- The cash benefit for program participants could be as low as \$50 per day on average.
- There is a five-year vesting period before new enrollees become eligible for any cash benefits.
- Coverage will extend to employees only.

What about private long term care insurance?

- Employers may keep their current, private long term care insurance coverage.
- The CLASS program is not intended to be a substitute for private long term care insurance.
- Given the potential for coverage gaps with the CLASS program, it is important to review other private insurance options.

For more information contact: **Nancy L. Boari at 248-244-6067**

¹ "Own Your Future," Administration on Aging, U.S. Department of Health and Human Services. December 2008.

² Richard S. Foster, Chief Actuary of the Centers for Medicare & Medicaid Services (January 8, 2010). Estimated Financial Effects of the "Patient Protection and Affordable Care Act," as Passed by the Senate on December 24, 2009, pp. 13-14.