



The Pinellas Protector



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Greetings to Our Clients and Friends!

Welcome back to the Pinellas Protector, the eNewsletter of AH Insurance Services. This year we are moving to a Quarterly format, since everyone seems to get too many emails. Also note that we took a brief respite from posting to our Blog, but look for new posts coming early in Second Quarter.

Our website had a facelift with the turning of the year, and we hope you like the fresh look! Please visit our newly redesigned site and send us any feedback. The site offers a number of free downloads, providing information on public and private insurance programs. Also you may like our Links page.

You can share this eNewsletter by clicking on the "Forward email" link at the page footer.

Until Next Quarter,

Andrew Herman

The Class Act -- Long Term Care Coverage in PPACA Legislation
And how much does this one cost?

Quote of the Month:

"Once you eliminate the impossible, whatever remains, no matter how improbable, must be the truth."

Sir Arthur Conan Doyle,
Author

Featured Video:



Charlie Chaplin,
The Great Dictator



What is the CLASS Act?

The Community Living Assistance Services and Support (CLASS) Act is a federally-managed long-term care program that should be effective within two years. This is an optional program and is separate from private long-term care plans marketed by insurance companies.

What about CLASS became effective on January 1, 2011? Merely its existence was made effective. Starting in January of 2011, the Department of Health and Human Services began to hire actuaries and administrators who will help develop the act. The CLASS Act itself is scheduled to be completed by October 1, 2012. After the completion, there will be a 90-day public comment period. Thus, it currently is anticipated that people will begin enrolling in early 2013.

Who is qualified to enroll in the CLASS Act? The CLASS Act is specifically designed for working people, **not retirees**. An enrollee must pay premiums for five years before being eligible to receive benefits, and must be employed and make enough money to be subject to the Social Security Tax. He or she must also be at least 18 years of age and not be hospitalized, be in an institution for mental disease, or be in a correction facility. In addition, those who are students or who fail to meet the Federal Poverty Level are permitted to participate and obtain policies under the CLASS Act for merely a premium of \$5 per month.

What are the benefits of the CLASS Act? Benefits may vary from person to person, although the minimum **average** of daily payouts is required to be at least \$50. This means that some may receive less; others may obtain more. In order to collect benefits, one must have already paid premiums for five years, and must be incapable of performing at least 2 or 3 (as of yet, this number is undetermined) of the activities of daily living, require supervision due to cognitive impairment, or be deemed to have equivalent problems.

Who pays for the CLASS Act benefits? As has already been mentioned, those who are students or who live below the Federal Policy Level only have to pay premiums of \$5 per month in order to obtain CLASS Act benefits. But what about everyone else? Despite the rumors, the CLASS Act is **not** intended to be federally-subsidized, meaning that benefits are not supposed to come from tax money. Each enrollee will have to pay premiums; and these premiums are not meager (the premium has been estimated as high as \$240 per month per enrollee, and this is subject to change throughout time). There are no set limits to how much the premiums may increase over the years. However, premiums are subject to tax exemptions for the CLASS Act as for private long-term care insurance. For people obtaining CLASS Act coverage through their employers, the premiums will be taken out of their paychecks.

Those who do not wish to participate when the employer is the provider will have to specifically request to opt out of CLASS.

There are some concerns about economic feasibility of the CLASS Act, as expressed by Richard Foster (Chief Actuary for the Centers of Medicare & Medicaid Services) who calls the program an "insurance death spiral". Why? This is simple: the major benefit of the CLASS Act is the fact that potential enrollees must be accepted regardless of preexisting conditions. In addition, there is the \$5 monthly premium set in place for students and those who do not reach the Federal Poverty Level. What ensues seems easily apparent. As private long-term care policies generally give greater benefits for the same, or even lower, premiums, the only individuals who would want to enroll in the CLASS Act would be those who either cannot afford private long-term care insurance or who cannot obtain it due to preexisting conditions. Either way, the CLASS Act looks like it could generate a shortfall in revenue in short order, unless important program parameters are revamped prior to implementation.

The CLASS Act versus Private LTC Insurance

The average cost of long-term care services is more than \$100 per day for home health care, and greater than \$200 per day for nursing home care. Assisted living facilities usually run somewhere in between. This is an obvious disconnect between the CLASS Act and today's private long-term care insurance programs: the CLASS Act most likely will not provide sufficient benefits to cover the expenses of long-term care, whereas most private long-term care insurance plans do.

In addition, private long-term care insurance plans may offer the ability to share coverage with a spouse or life partner, whereas there is to be no sharing in the CLASS Act coverage. Generally the private insurance plans offer spousal discounts to reflect better expected claims experience, along with a myriad of innovative benefits designed for couples purchasing coverage together.

Premiums are not usually community rated on private long-term care insurance policies; on the contrary, they typically differ based on issue age and health status at time of application. Most healthy people likely will find a better value shopping the private marketplace; and even more important an insured covered by a private plan wouldn't have to wait until at least 2018 to start collecting benefits.

One cannot say for certain yet whether private long-term care insurance is better or worse compared to coverage that will be available through the CLASS Act; however, it does seem clear that if only those who cannot obtain private insurance enroll into CLASS, the program benefits will be relatively few and will not last long without drastic increases in premiums.

Many in the private insurance sector welcome implementation of CLASS and are supporting efforts to move the program forward. Supporters generally state reasons such as improved education about the Long Term Care risk, potential for increased private insurance sales in the form of supplementary coverage, and the fact that CLASS could cover some of the currently uninsurable. To me, that seems more than a stone's throw short of saying "hey, that's a good program!"

Our viewpoint is that CLASS has more potential risks compared to benefits, and that the federal government will be competing on a non-level playing field with private insurance companies. The CLASS program won't be subjected to state premium taxes, federal income taxes or the DAC tax, all of which are burdensome to private industry and drive policy premiums higher. And notwithstanding the argument that CLASS ultimately might require a government bailout, in the meantime the program has a tremendous critical mass advantage; yet to the degree that costs are incurred it doesn't have to reflect them in the premium. For instance, Health & Human Services already has dedicated staff working full-time on CLASS and has budgeted \$93 million of taxpayer money for marketing.

Who couldn't jump-start their business with a \$93 million infusion? And that's just the beginning, folks!

Health Care Reform Update

Health Reform Law's First Birthday is this Week

After decades of failed attempts by a string of Democratic presidents and a year of bitter partisan combat, President Obama signed legislation on March 23, 2010 to overhaul the nation's health care system and guarantee access to medical insurance for essentially all Americans.

It was the largest single legislative achievement of Obama's initial two years in office, and the most controversial. Not a single Republican voted for the final version, and Republicans across the country campaigned on a promise to repeal the bill. After they took control of the House and expanded their ranks in the Senate in the November 2010 elections, action on health care was at the top of their agenda.

In January this year, the House voted 245 to 189 in favor of repeal, in what both sides agreed was largely a symbolic act. A few weeks later, Senate Democrats defeated a bid by Republicans to repeal the health care overhaul, as they successfully mounted a party-line defense. The vote was 47 to 51, with all Republicans voting for repeal but falling 13 votes short of the 60 needed to advance their proposal.

Critics (Republicans) denounce PPACA as hindering job creation and giving the government too big a role in the health care system. Democrats highlight the law's benefits, especially for the uninsured, and note that the nonpartisan Congressional Budget Office projected that the law would reduce future deficits. I for one, wonder if any of these projections were relayed with a straight face; and whether either the Democrats or Republicans are capable of understanding the figures.

So on March 23, we come to the first birthday of PPACA. That's giving its fans another chance to praise the difference the law is making, and its foes a chance to highlight the problems they see. While we all wait to see what plays out in the judicial system regarding the constitutionality of PPACA, the posturing continues.

House Minority Leader Nancy Pelosi made an effort to note the occasion, saying Democrats are proud of health care reform. "We ensured that your doctor will be there when you get sick, you will be covered, and no insurance company bureaucrat will take away from you or limit your choice," Pelosi stated.

The Wall Street Journal took the other side. An editorial read, "We're already seeing Obamacare's madness in its first year of implementation, which is why the

American people continue to call for defunding, repealing and replacing it with more sensible reforms."

Recently the health insurance industry group America's Health Insurance Plans released their assessment of reform as well. The bottom line, says AHIP, is that more attention needs to be paid "to the underlying medical costs that drive premiums," and to how the cuts to Medicare Advantage will affect 11 million people with Medicare.

A year into reform, most polls show that the nation remains split about health care reform, but with more people opposed to PPACA than in favor.

And it's worth noting that despite all the political, legislative and legal activity, no substantive changes have yet been signed into law.

And Here's Proof that the Republicans and Democrats don't know how to agree, even when they agree!!

Earlier this month, the House voted to repeal the 1099 reporting requirement in the reform law, a provision that requires businesses to report any payments to vendors over \$600. This piece of the law has been very unpopular with small businesses, and the Senate has already passed a similar amendment. The problem is that the House and Senate versions of the bill would fund the repeal in different ways, and neither House Republicans nor Senate Democrats are interested in adopting the other chamber's plan.

Last week, Sen. Mike Johanns, R-Neb., introduced the House version of the bill as an amendment to a small-business innovation measure the Senate was debating. He claims he'll do the same thing to every possible Senate vehicle until the 1099 repeal passes.

"It's long past the day that we should have repealed this," he said. Senate Finance Committee Chairman Max Baucus agreed, but added, "We have to be mindful of both the House vote and Senate vote. We have to meld those two to get it passed."

Why in the world the unpopular 1099 provision was included in PPACA in the first place defies logic, but the recent attempts to undo it just seem par for the course.

**Featuring JGRC Radio Control Models
Owned by Our Valued Client Jeffrey Goodman**

(727) 643-6385
www.jgrc.biz

For our client feature this Quarter, AH Insurance Services is pleased to showcase JGRC, a local provider of radio controlled hobby aircraft. Owned and operated by our client Jeffrey Goodman, this store has been in business nearly 10 years now.

JGRC's aircraft and gear are suitable for all age groups and areas of interest, from sporty jets to slow flyers, and from 3D aircraft that require the utmost skill to less expensive options for beginners.

When you contact Jeffrey, you'll find that he is both friendly and helpful; and without a doubt he's the go-to-guy for all of your hobby needs.

[Click Here to Visit the Home Page of JGRC Radio Control Models](#)

**As We "Go to Print" on the Spring Vernal Equinox,
We Wish Everyone Good Fortune Throughout 2011!**

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