

APPENDIX Pb:

**PRESENTATION ENTITLED “CORE ASSUMPTIONS
AND MODEL OUTPUTS”**

Core Assumptions and Model Outputs

John Wilkin, ARC

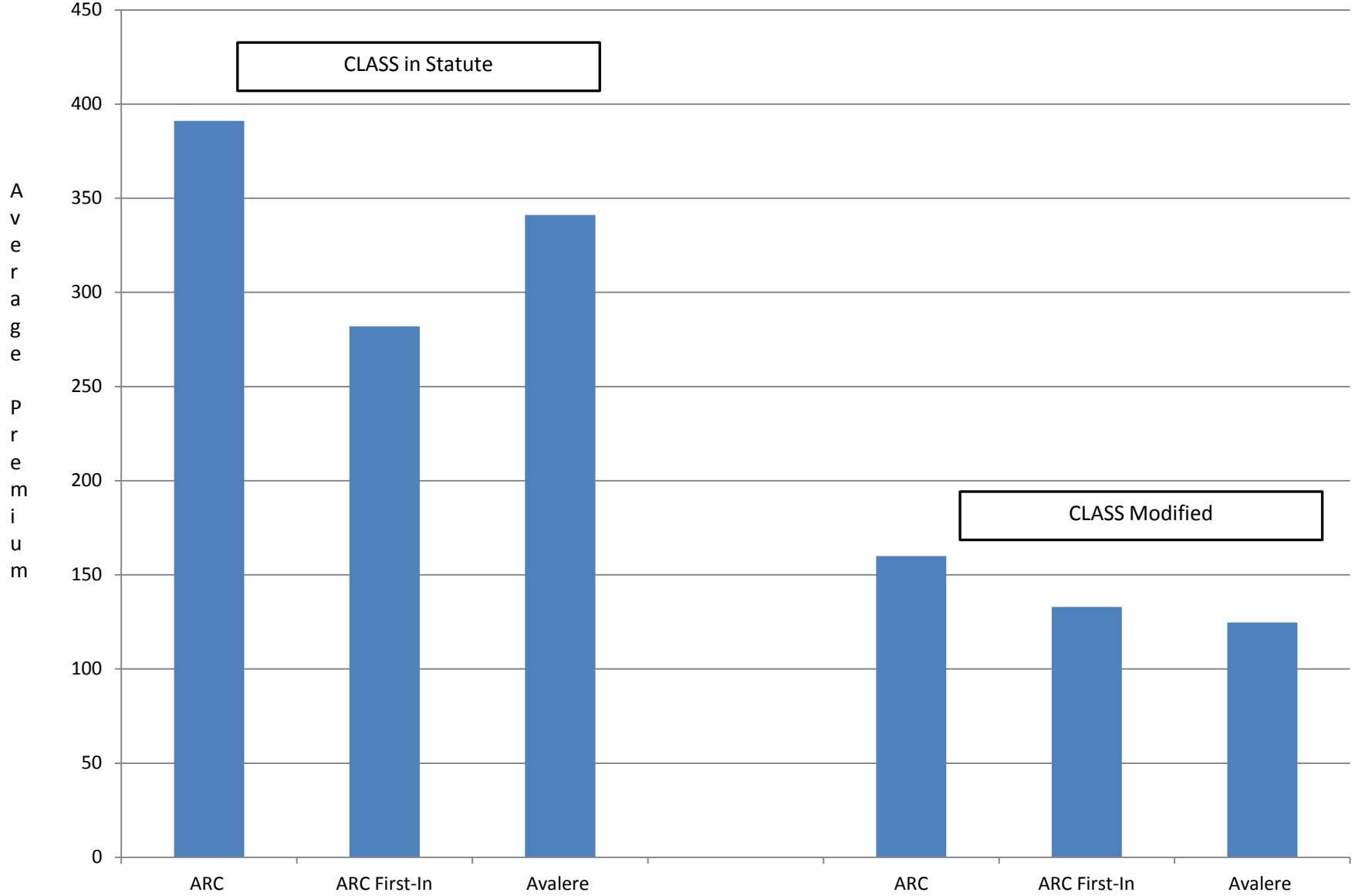
Eric Hammelman, Avalere Health

	CLASS Benefit in Statute	Modified CLASS
Enrollment Requirements		
Age 18+	Yes	Yes
Taxable Wages/Income	Yes	Yes
Actively Employed	Yes	Yes
Not in Institution	Yes	Yes
Coverage/Benefits		
Primary Benefit	Cash	Cash
Daily Benefit Amount	\$50 (Average)	\$50 (Average)
Unit of Payment	Daily or Weekly	Daily or Weekly
Minimum Duration in Years	NA-Lifetime	NA-Lifetime
Total Value	TBD	TBD
Inflation Protection	CPI-U	CPI-U
Advocacy Services	Yes	Yes
Advice and Asst. Counseling	Yes	Yes
Eligibility for Benefits		
5 Year Vesting Period	Yes	Yes
Work Req. Over Vesting Period	At Least 3 Years	5 Years (or 40 Qs)
Earnings Req. Over Vesting Period	\$1,120/Year	\$12,000/Year
24 Months of Prior Prem. Payment	Yes	Yes
Minimum Benefit Trigger	2 or 3 of 6 ADLs	TBD
Tiered Benefit	Yes	Yes
Elimination Period in Days	0	0
Presumptive Eligibility	Yes - if in Inst.	Yes - if in Inst.
Administrative Expenses	3%	3%
Monthly Premium		
Underwritten (Other than Age)	No	No
Indexed to Inflation	No	Yes (2.8%)
Low Income Premium	Yes	Yes
Full Time Student Premium	Yes	Yes
Waiver of Premium	TBD	TBD
Level Premium	After Age 65	After Age 65
Return of Premium	TBD	TBD

Modified CLASS changes these three options



Average Premium for CLASS in Statute vs. CLASS Modified with Full Waiver of Premium, 2+ADL trigger, and 2% Participation

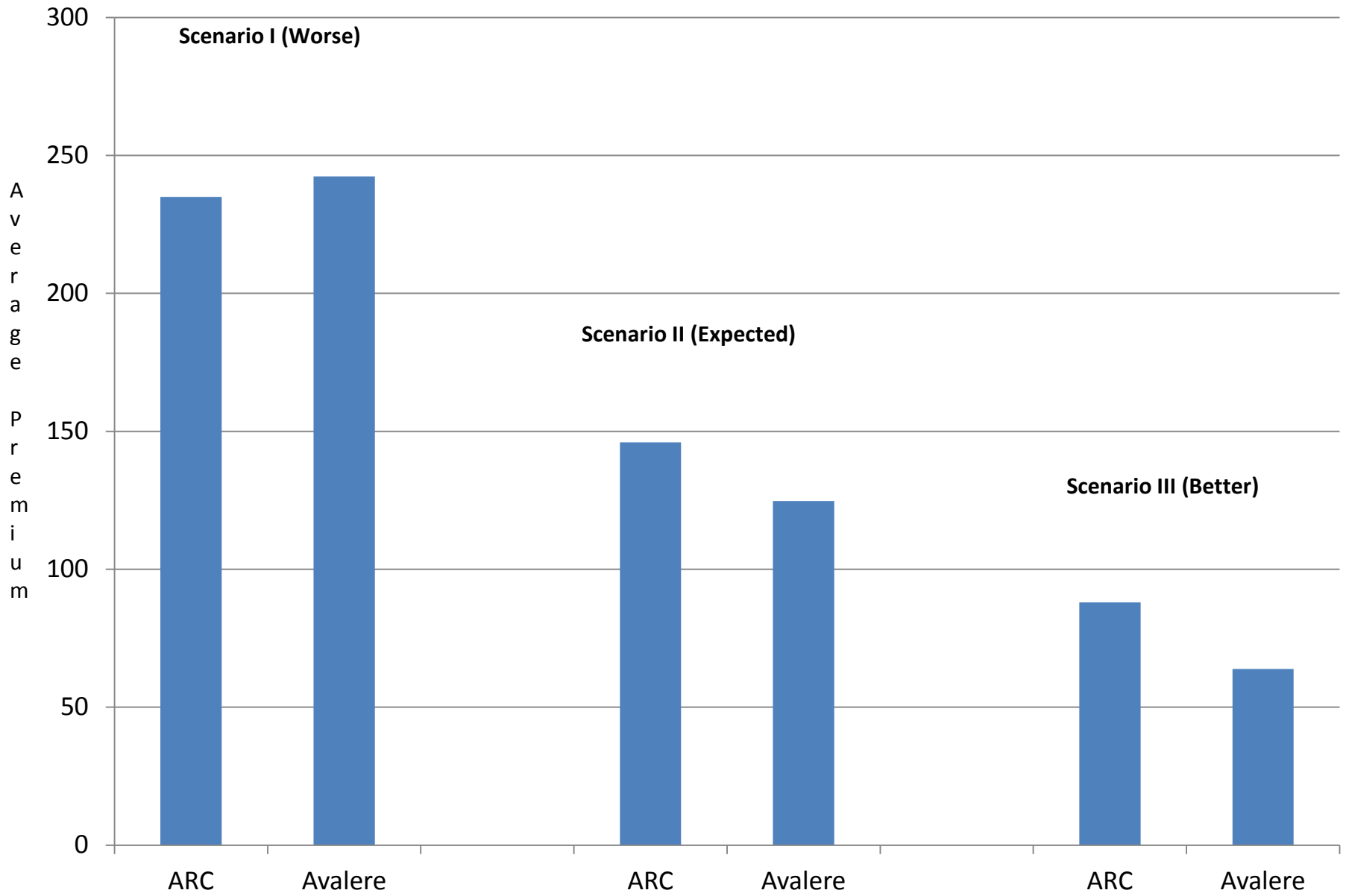


CLASS Modeling Assumptions: 3 Scenarios

Scenario	I Worse than Expected	II Expected	III Better than Expected	Description
Antiselection: ARC	0.85	0.70	0.55	Dampening factor: 1=perfect antiselection
Antiselection: Avalere	0.85	0.70	0.60	
Relative Claim Costs	1.2	1.1	1.0	Increased incidence from survey data
Return on Investment	4.70%	5.70%	6.70%	Average annual rate of return
Lapsation	0.50%	0.75%	1.00%	Percentage lapse per year
Morbidity Improvement	0.25%	0.50%	0.75%	Annual percentage improvement for first 20 years; 0% thereafter
Mortality Improvement	1.31%	0.78%	0.32%	Annual percentage improvement over the 75 year period
Participation	1%	2%	4%	

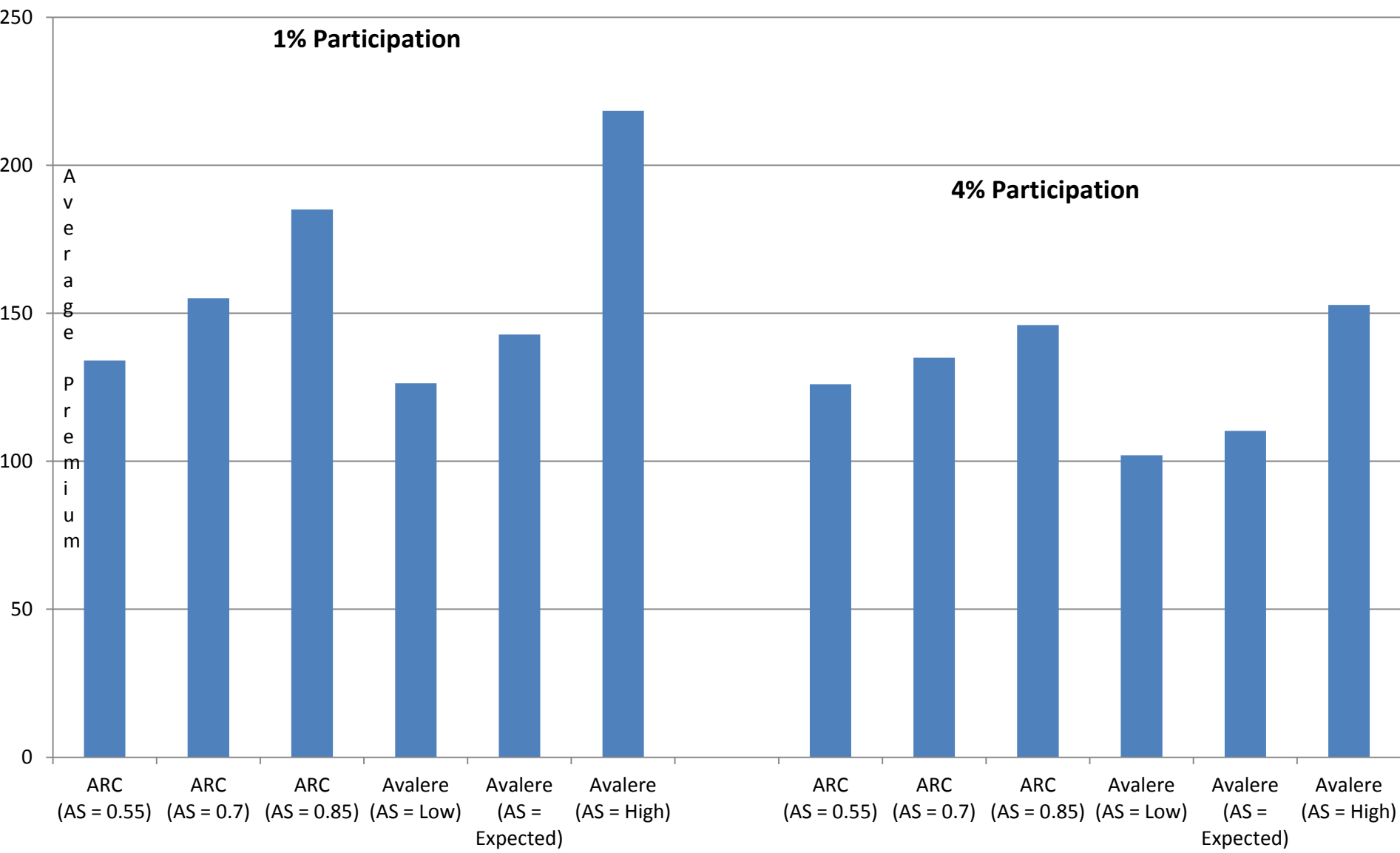
Average Premium for Scenarios I, II and III

Full Waiver of Premium, 2+ADL trigger, and 2% Participation

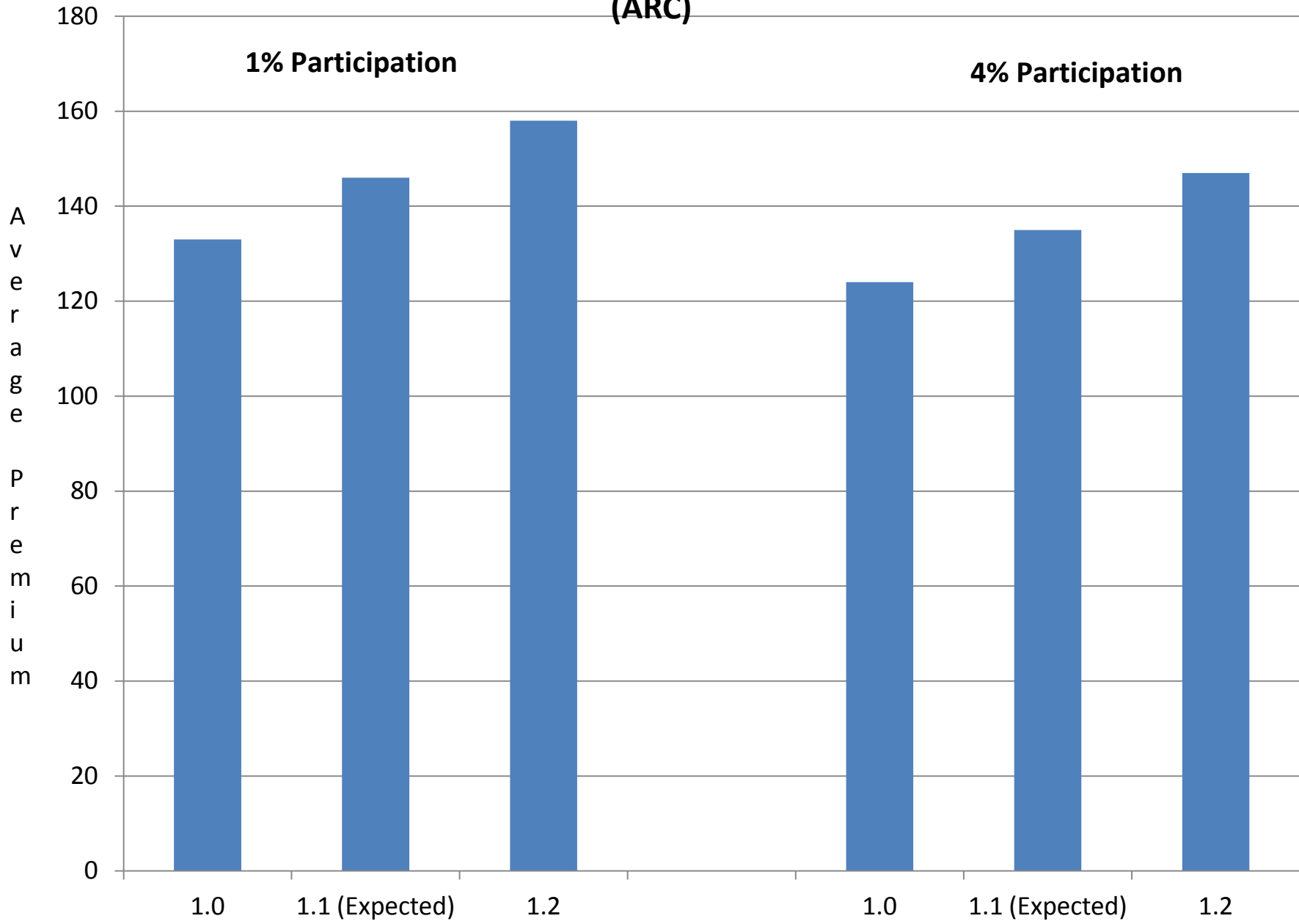


Average Premium for Scenario II by Selection

1% and 4% Participation with Full Waiver of Premium, 2+ADL trigger

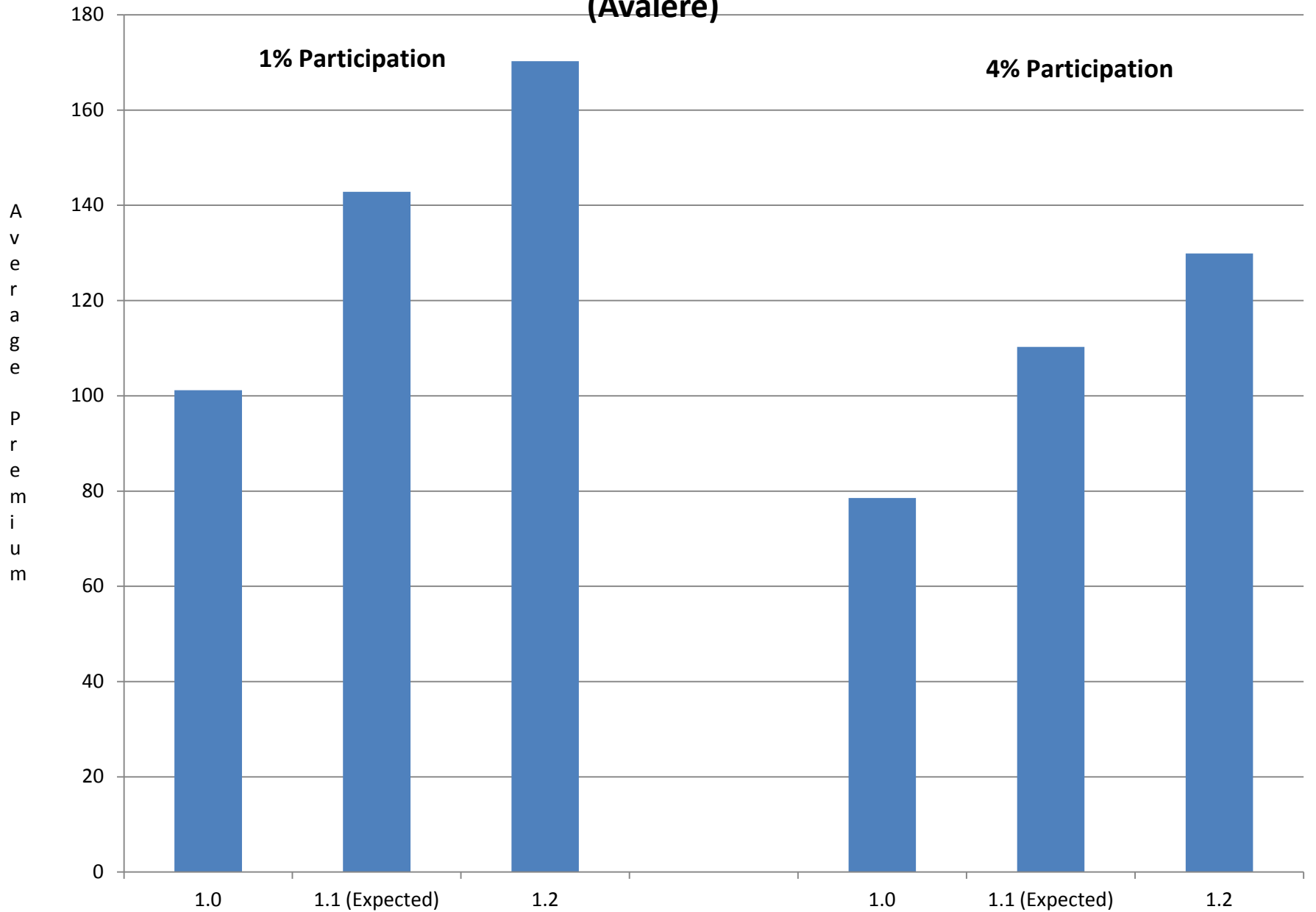


**Average Premium for Scenario II by Claim Costs
at 1% and 4% Participation with Full Waiver of Premium, 2+ADL trigger
(ARC)**



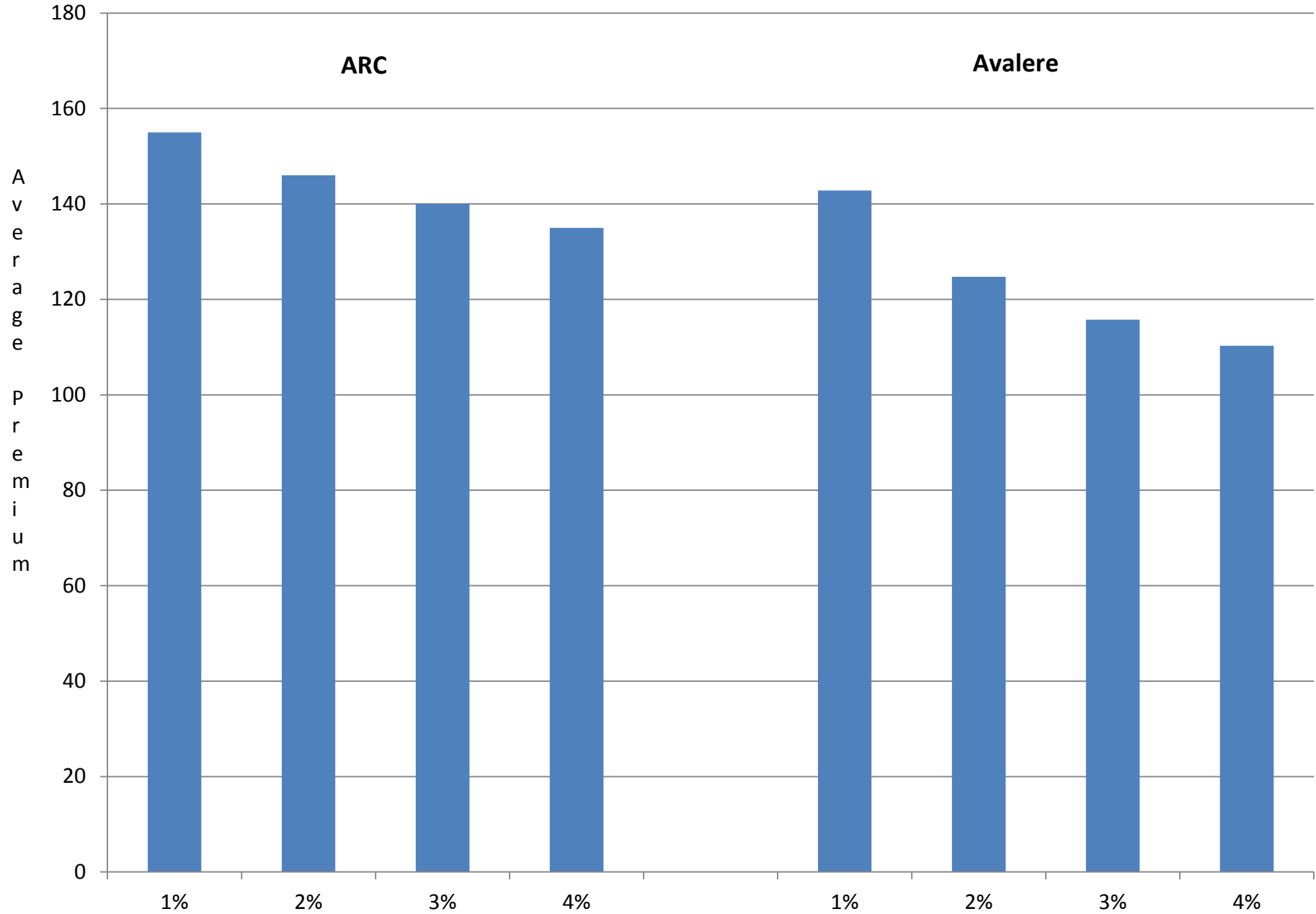
Average Premium for Scenario II by Claim Costs

1% and 4% Participation with Full Waiver of Premium, 2+ADL trigger (Avalere)



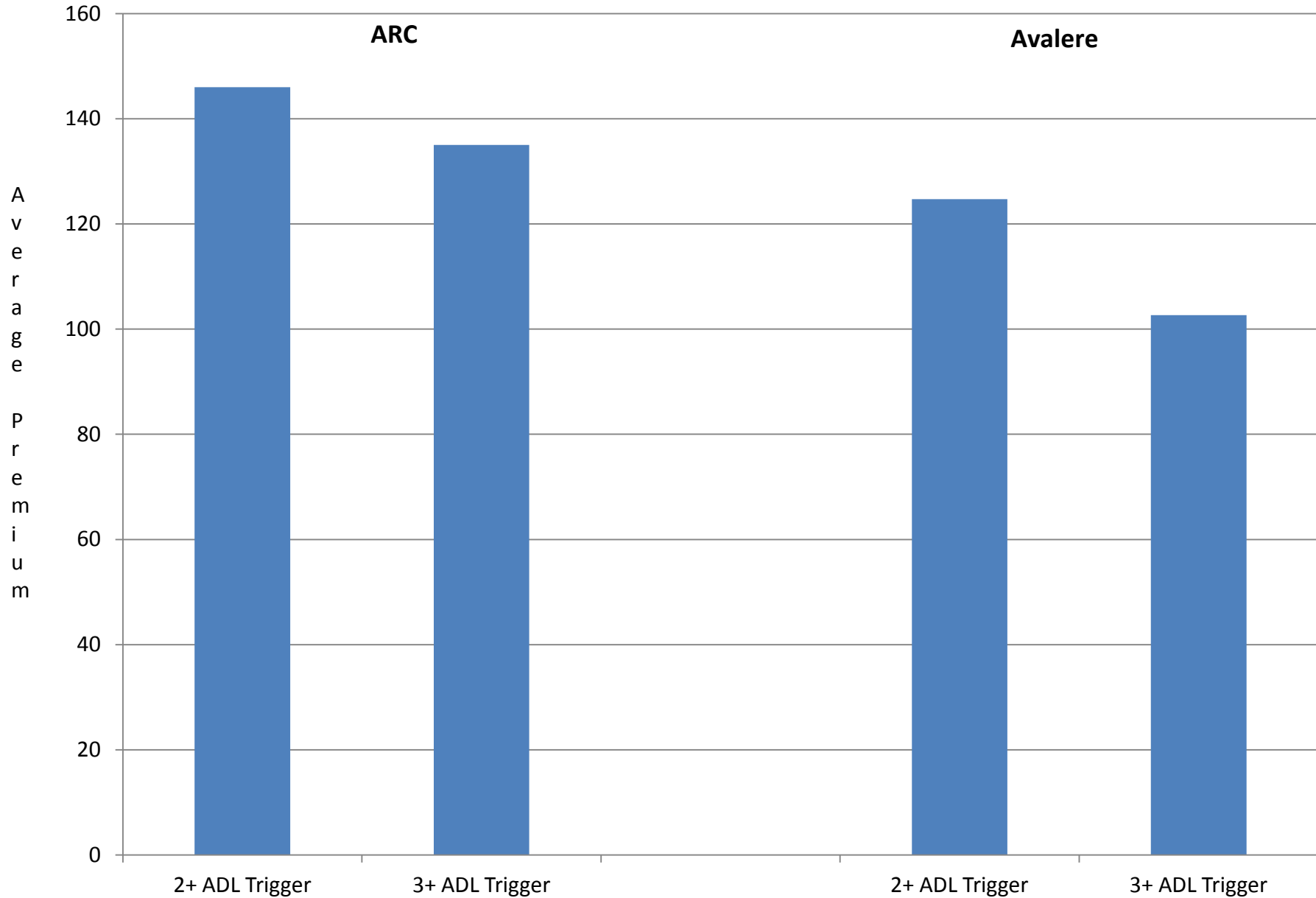
Average Premium for Scenario II by Participation Rate

Full Waiver of Premium and 2+ ADL trigger



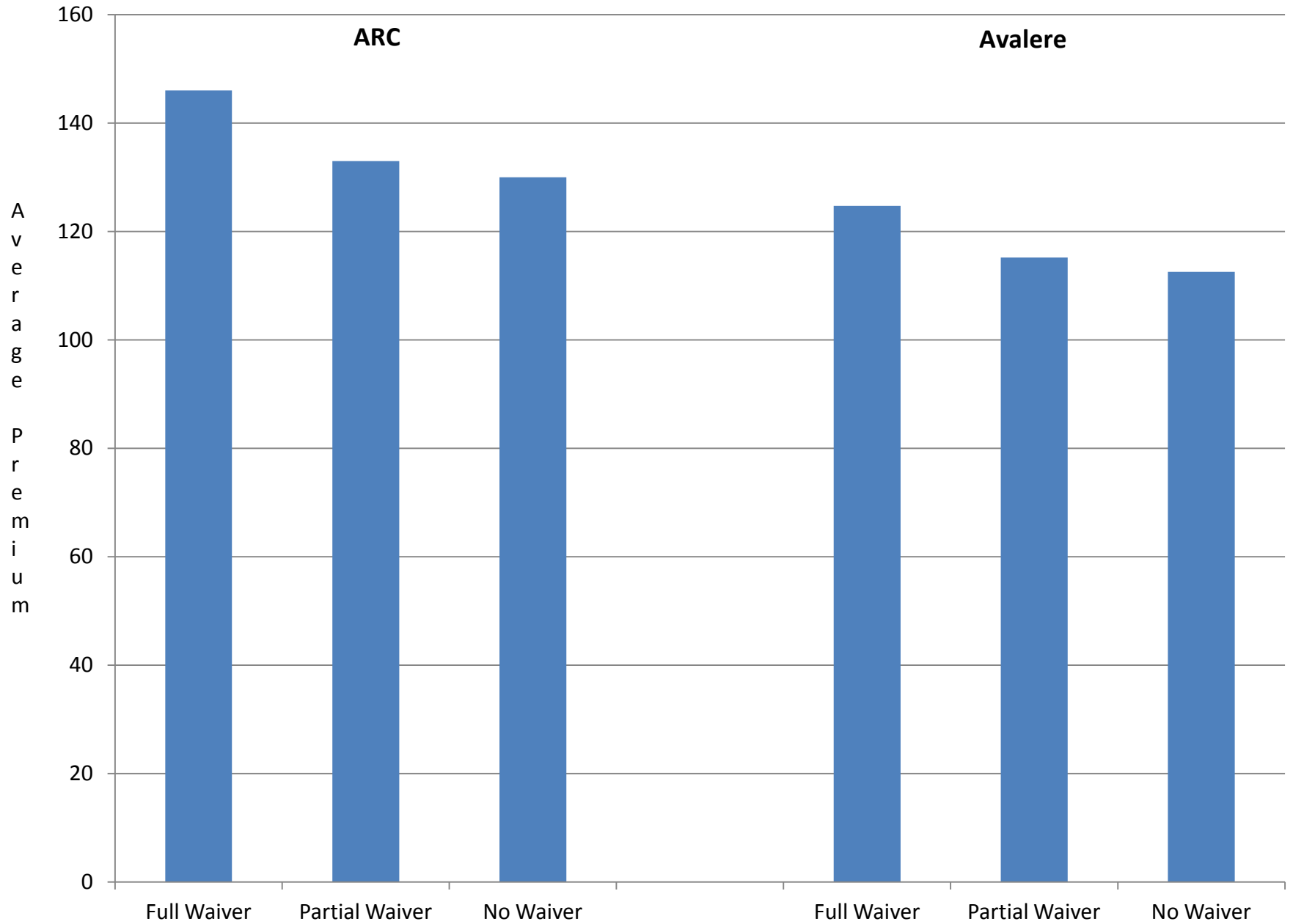
Average Premium for Scenario II by ADL Trigger

Full Waiver of Premium and 2% Participation



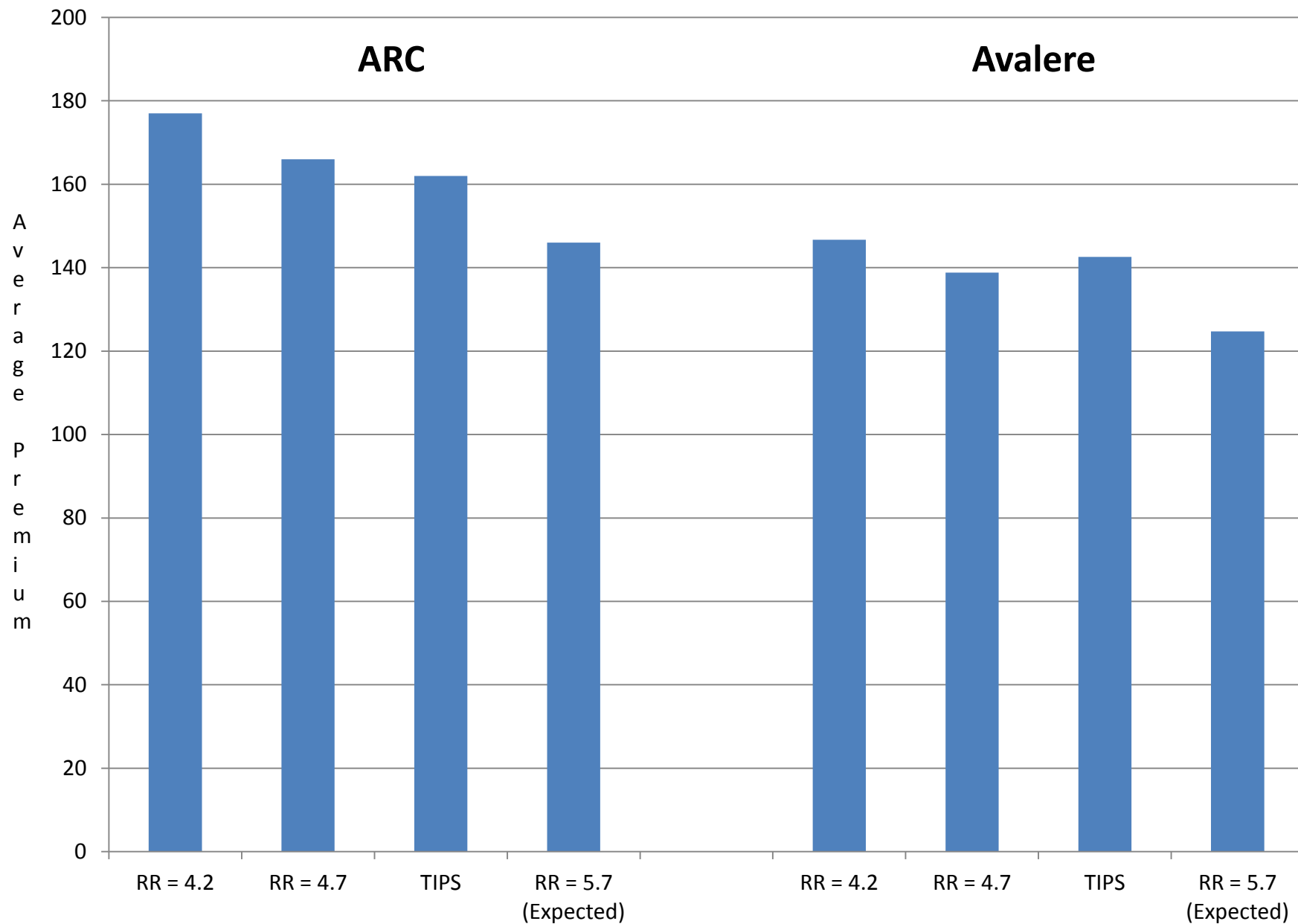
Average Premium for Scenario II by Waiver

2+ ADL Trigger and 2% Participation



Average Premium by Return on Investment

Full Waiver of Premium, 2+ ADL Trigger, and 2% Participation



A REPORT ON THE ACTUARIAL, MARKETING, AND LEGAL ANALYSES OF THE CLASS PROGRAM

For additional information, you may visit the DALTCP home page at http://aspe.hhs.gov/_/office_specific/daltcp.cfm or contact the office at HHS/ASPE/DALTCP, Room 424E, H.H. Humphrey Building, 200 Independence Avenue, SW, Washington, DC 20201. The e-mail address is: webmaster.DALTCP@hhs.gov.

Files Available for This Report

[HTML versions of Appendices will be added as they are formatted]

Main Report	[48 PDF pages]
	http://aspe.hhs.gov/daltcp/reports/2011/class/index.shtml http://aspe.hhs.gov/daltcp/reports/2011/class/index.pdf
APPENDIX A: Key Provisions of Title VIII of the ACA, Which Establishes the CLASS Program	[6 PDF pages]
	http://aspe.hhs.gov/daltcp/reports/2011/class/appA.htm http://aspe.hhs.gov/daltcp/reports/2011/class/appA.pdf
APPENDIX B: HHS Letters to Congress About Intent to Create Independent CLASS Office	[11 PDF pages]
	http://aspe.hhs.gov/daltcp/reports/2011/class/appB.htm http://aspe.hhs.gov/daltcp/reports/2011/class/appB.pdf
APPENDIX C: <u>Federal Register</u> Announcement Establishing CLASS Office	[2 PDF pages]
	http://aspe.hhs.gov/daltcp/reports/2011/class/appC.htm http://aspe.hhs.gov/daltcp/reports/2011/class/appC.pdf
APPENDIX D: CLASS Office Organizational Chart	[2 PDF pages]
	http://aspe.hhs.gov/daltcp/reports/2011/class/appD.pdf
APPENDIX E: CLASS Process Flow Chart	[2 PDF pages]
	http://aspe.hhs.gov/daltcp/reports/2011/class/appE.pdf
APPENDIX F: <u>Federal Register</u> Announcement for CLASS Independence Advisory Council	[3 PDF pages]
	http://aspe.hhs.gov/daltcp/reports/2011/class/appF.htm http://aspe.hhs.gov/daltcp/reports/2011/class/appF.pdf
APPENDIX G: Personal Care Attendants Workforce Advisory Panel and List of Members	[6 PDF pages]
Full Appendix	http://aspe.hhs.gov/daltcp/reports/2011/class/appG.htm http://aspe.hhs.gov/daltcp/reports/2011/class/appG.pdf
Ga: <u>Federal Register</u> Announcement for Personal Care Attendants Workforce Advisory Panel	http://aspe.hhs.gov/daltcp/reports/2011/class/appGa.pdf
Gb: Advisory Panel List of Members	http://aspe.hhs.gov/daltcp/reports/2011/class/appGb.pdf

APPENDIX H: Policy Papers Discussed by the LTC Work Group	[36 PDF pages]
	http://aspe.hhs.gov/daltcp/reports/2011/class/appH.htm
	http://aspe.hhs.gov/daltcp/reports/2011/class/appH.pdf
APPENDIX I: CLASS Administration Systems Analysis and RFI	[10 PDF pages]
	http://aspe.hhs.gov/daltcp/reports/2011/class/appI.htm
	http://aspe.hhs.gov/daltcp/reports/2011/class/appI.pdf
APPENDIX J: Additional Analyses for Early Policy Analysis	[150 PDF pages]
Full Appendix	http://aspe.hhs.gov/daltcp/reports/2011/class/appJ.pdf
Ja: A Profile of Declined Long-Term Care Insurance Applicants	http://aspe.hhs.gov/daltcp/reports/2011/class/appJa.pdf
Jb: CLASS Program Benefit Triggers and Cognitive Impairment	http://aspe.hhs.gov/daltcp/reports/2011/class/appJb.pdf
Jc: Strategic Analysis of HHS Entry into the Long-Term Care Insurance Market	http://aspe.hhs.gov/daltcp/reports/2011/class/appJc.pdf
Jd: Managing a Cash Benefit Design in Long-Term Care Insurance	http://aspe.hhs.gov/daltcp/reports/2011/class/appJd.pdf
APPENDIX K: Early Meetings with Stakeholders	[4 PDF pages]
	http://aspe.hhs.gov/daltcp/reports/2011/class/appK.htm
	http://aspe.hhs.gov/daltcp/reports/2011/class/appK.pdf
APPENDIX L: In-Depth Description of ARC Model	[62 PDF pages]
	http://aspe.hhs.gov/daltcp/reports/2011/class/appL.pdf
APPENDIX M: In-Depth Description of Avalere Health Model	[23 PDF pages]
	http://aspe.hhs.gov/daltcp/reports/2011/class/appM.htm
	http://aspe.hhs.gov/daltcp/reports/2011/class/appM.pdf
APPENDIX N: September 22, 2010 Technical Experts Meeting	[61 PDF pages]
Full Appendix	http://aspe.hhs.gov/daltcp/reports/2011/class/appN.htm
	http://aspe.hhs.gov/daltcp/reports/2011/class/appN.pdf
Na: Agenda, List of Participants, and Speaker Bios	http://aspe.hhs.gov/daltcp/reports/2011/class/appNa.pdf
Nb: Presentation Entitled "Actuarial Research Corporation's Long Term Care Insurance Model"	http://aspe.hhs.gov/daltcp/reports/2011/class/appNb.pdf
Nc: Presentation Entitled "The Long-Term Care Policy Simulator Model"	http://aspe.hhs.gov/daltcp/reports/2011/class/appNc.pdf
Nd: Presentation Entitled "Comments on 'The Long-Term Care Policy Simulator Model'"	http://aspe.hhs.gov/daltcp/reports/2011/class/appNd.pdf
APPENDIX O: Actuarial Report on the Development of CLASS Benefit Plans	[47 PDF pages]
	http://aspe.hhs.gov/daltcp/reports/2011/class/appO.pdf

APPENDIX P: June 22, 2011 Technical Experts Meeting
Full Appendix

[77 PDF pages]

<http://aspe.hhs.gov/daltcp/reports/2011/class/appP.htm>

<http://aspe.hhs.gov/daltcp/reports/2011/class/appP.pdf>

Pa: Agenda and Discussion Issues and
Questions

<http://aspe.hhs.gov/daltcp/reports/2011/class/appPa.pdf>

Pb: Presentation Entitled "Core Assumptions and
Model Outputs"

<http://aspe.hhs.gov/daltcp/reports/2011/class/appPb.pdf>

Pc: Presentation Entitled "Actuarial Research
Corporation's Long Term Care Insurance
Model"

<http://aspe.hhs.gov/daltcp/reports/2011/class/appPc.pdf>

Pd: Presentation Entitled "The Avalere Long-
Term Care Policy Simulator Model"

<http://aspe.hhs.gov/daltcp/reports/2011/class/appPd.pdf>

Pe: Presentation Entitled "Alternative Approaches
to CLASS Benefit Design: The CLASS
Partnership"

<http://aspe.hhs.gov/daltcp/reports/2011/class/appPe.pdf>

APPENDIX Q: Table 2: Actuarial and Demographic Assumptions

[2 PDF pages]

<http://aspe.hhs.gov/daltcp/reports/2011/class/appQ.htm>

<http://aspe.hhs.gov/daltcp/reports/2011/class/appQ.pdf>

APPENDIX R: Figure 1: Daily Benefit Amount for Increased Benefit

[2 PDF pages]

<http://aspe.hhs.gov/daltcp/reports/2011/class/appR.pdf>