

Long-Term Care Insurance and the CLASS Act: Fact Sheet

Long-Term Care Demographics: ¹

- Some 10 million to 13 million people are receiving long-term care in a nursing home, assisted living facility or through a home care service.²
- About 40 percent of all people receiving long term care are between ages 18 and 64.³
- However, 75 percent of people over the age of 65 will need long-term care at some point in their retirement years.
- The average stay in a nursing home is 2.9 years.
- About 70 percent of nursing home residents are women.⁴
- The number one reason for needing long-term care is Alzheimer's disease; about 50 percent of seniors age 85 and older have Alzheimer's or some other form of dementia requiring long-term care.

Cost of Long-Term Care:

- According to LTC Tree (www.longtermcareinsurancetree.com), the average annual cost of:
 - Nursing home: \$80,850
 - Assisted living facility: \$40,895
 - Home care: \$31,341
- For the elderly, Medicare pays for short-term rehabilitative care only.
- Medicaid, the health care program for the poor, pays for nursing home care for low-income individuals. Although it pays for about 40 percent of all long-term care expenditures nationally, eligibility requirements for Medicaid vary by state, and not all nursing homes accept Medicaid payments due to low reimbursement rates.⁵

Private Long-Term Care Insurance Policies: ⁶

- Only 5.3 million adults (less than 10 percent) carry private long-term care insurance.
- Private long-term care insurance policies are not “one size fits all;” they provide different levels and dollar amounts of coverage (per day) as well as different time periods of care, from 2 years up to 5 years.
- In 2000, private LTC policies covered an average of \$100 per day.

¹ “Long-term Care Statistics,” LTC Tree.

² “Guide to Long-Term Care Insurance,” America’s Health Insurance Plans.

³ “Who Needs Long-term Care?” www.GuidetoLongTermCare.com

⁴ “Women and Long-Term Care,” AARP Public Policy Institute Fact Sheet.

⁵ “Medicaid and Long-Term Care Services and Support,” Kaiser Commission on Medicaid and the Uninsured.

⁶ Paula Spann, “Details on the Class Act,” New York Times, April 29, 2010.

- Private long-term care policies typically have a waiting period of 60 to 90 days and are usually adjusted annually for inflation, depending on the type of policy purchased.
- The average premium was \$2,200 a year in 2007; premiums are fixed, however, and are based on the age at which the individual signs up. Younger people will pay lower monthly premiums than those in their 50s or 60s.⁷
- Private long-term care policies are underwritten, meaning the chronically ill or the very elderly can be turned down when applying for a policy or may receive a lower benefit in exchange for higher premiums.

The New CLASS Act Entitlement:⁸

- The CLASS (opt-out) program is a government-run insurance program that will pay a portion of long-term care services, including at-home care, for eligible individuals of any age.
- Program beneficiaries will receive a minimum average payment of \$50 per day. There is not official maximum benefit limit.
- An individual must work for 3 years and pay premiums for 5 years.
- Premium payments must continue once a person reaches 65 and wishes to stay in the program; but once an individual reaches 65, has paid into the program for 20 years and is not actively employed.
- Benefit payments are adjusted annually with inflation.
- Unlike private long-term care policies, benefits are provided for a lifetime of need.
- Unlike private long-term care policies, CLASS premiums are not underwritten, meaning that anybody can enroll regardless of their age or health status.
- Thus, the program will likely attract those who need it the most, cost the most, and have been denied by private insurers.
- Government officials will have until October 1, 2012 to outline specific program details.

⁷ Robert Powell, "New Products Aim to Sweeten Long-Term Care Insurance," MarketWatch.com.

⁸ Paula Spann, "Details on the Class Act," New York Times, April 29, 2010.