

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

APPENDIX Q:

TABLE 2: ACTUARIAL AND DEMOGRAPHIC ASSUMPTIONS

Table 2.**CLASS Modeling Assumptions Under Three Scenarios**

	I. Worse than Expected	II. Expected	III. Better than Expected
Antiselection: ARC ¹	0.85	0.7	0.55
Antiselection: Avalere ²	High	Moderate	Low
Relative Claim Costs ³	1.2	1.1	1.0
Return on Investment ⁴	4.70%	5.70%	6.70%
Lapsation ⁵	0.50%	0.75%	1.00%
Morbidity Improvement ⁶	0.25%	0.50%	0.75%
Mortality Improvement ⁷	1.31% ⁶	.78% ⁶	.32% ⁶
Participation	1%	2%	4%

¹ Dampening factor; 1 = perfect antiselection

² Composite measure: high = dampening factor starts at 85%, ends at 15%, 20 years to reach terminal rate;
medium = dampening factor starts at .7, ends at 10%, 20 years to reach terminal rate;
low = dampening factor starts at .6, ends at 5%, 20 years to reach terminal rate

³ Times incidence from survey data

⁴ Average annual rate of return; 5.7% from 2011 Social Security Trustees Report

⁵ Percentage lapse per year

⁶ Annual percentage improvement for the first 20 years; 0% thereafter

⁷ Annual percentage improvement over the 75 year period; from 2011 Social Security Trustees Report

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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

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Ga: <u>Federal Register</u> Announcement for Personal Care Attendants Workforce Advisory Panel	http://aspe.hhs.gov/daltcp/reports/2011/class/appGa.pdf
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	http://aspe.hhs.gov/daltcp/reports/2011/class/appH.htm
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	http://aspe.hhs.gov/daltcp/reports/2011/class/appI.htm
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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]
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APPENDIX M: In-Depth Description of Avalere Health Model	[23 PDF pages]
	http://aspe.hhs.gov/daltcp/reports/2011/class/appM.htm
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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]
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	http://aspe.hhs.gov/daltcp/reports/2011/class/appO.pdf

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

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<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

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

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

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

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