

Healthcare Reform Policy Update

This update follows our July communication to you and provides greater detail on developing healthcare reform legislation and the industry's position on proposed public policy. Genworth continues to be actively engaged in the process. Through our industry trade associations, we are working with peer companies to advocate our industry position and responsible solutions to the growing long term care crisis. We want to help you understand the issues and their impact – specifically the Community Living Assistance Services and Supports (CLASS) Act.

CLASS Act Overview

- The CLASS Act was originally intended to create a government-run voluntary insurance program for adults with disabilities.
- Americans participating in the program would pay a monthly premium deducted from their payroll in an amount to be determined annually by the Health and Human Services Secretary.
- Enrollees would receive a benefit in the range of \$50 to \$75 per day for long term supports and services.
- Participants would have to pay payroll premiums for at least five years before they could qualify for any benefits.

Our Analysis and Response

While we commend the CLASS act sponsors for looking for ways to address long term care needs, we have two fundamental issues: the proposed program is not actuarially sound and it would give Americans a false sense of security. We believe this is bad public policy.

- The \$50 to \$75 daily benefit is far insufficient to meet the daily long term care expenses. Our 2009 Cost of Care Survey shows that the daily cost for a private nursing home costs averages \$203 per day or nearly \$75,000 per year. That cost is projected to rise to \$270,000 annually or nearly \$740 per day in 30 years.
- The independent American Academy of Actuaries analyzed the CLASS Act and concluded:
 - The proposed structure and funding approaches will cover far fewer people than intended and cost substantially more than suggested.
 - There is considerable risk of adverse selection.
 - The average benefit amount is inadequate for the vast majority of participants.
 - The proposed premium levels are roughly 40% of the required amounts – meaning the program will require substantial payroll premium increases to remain solvent or will add several trillion dollars to the existing underfunded government entitlement programs.
- We are troubled by the potential for disruption in the LTCi market and general consumer confusion. According to recent studies, nearly half of Americans incorrectly believe Medicare or private health insurance will pay for their long-term care needs. We're concerned that a government program that covers only a small fraction of their total LTC needs will further mislead the general public and make it even harder for agents and advisors to encourage their clients to proactively plan for this important retirement protection.

Staying Informed and Engaged

Given the fluid political environment, we expect a lengthy legislative process ahead. We are committed to providing information to you on these issues as they evolve.

Many producers and advisors have asked how they can engage with us in this national discussion. **Next week, we will invite our distributors to participate in an important grassroots effort.** We also ask you to share our communication points with your producers.

We urge you to continue to help clients understand the importance of planning for long term care, leveraging the education and awareness tools we offer including the **Cost of Care Survey** and the **Let's Talk** campaign.