

**EXHIBIT M**

**Brown, Nicole (HHS/ASL)**

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**From:** Marton, William (HHS/ASPE)  
**Sent:** Thursday, October 22, 2009 6:14 PM  
**To:** 'Marc Cohen'  
**Subject:** RE: Data on LTC premiums from 2005

Thanks for the reply. I assume that a higher ACI would require more reserves and hence (all things equal of course) higher premiums. But here's the interesting fact: The AAA assumed a 2.8% increase in benefits, while I used the FLTCIP's quote software and assumed a 4% growth in premiums. So you can get a policy through the FLTCIP (albeit underwritten) with a higher benefit, better inflation protection, and lower premium. I don't see any reason why anyone would opt for CLASS if they could pass the underwriting. And if you couldn't make it through underwriting, you could simply enroll in CLASS to cover some of your current or likely future LTC costs. Seems like a recipe for disaster to me...

Bill

...  
**From:** Marc Cohen [mailto:████████████████████]  
**Sent:** Thursday, October 22, 2009 3:31 PM  
**To:** Marton, William (HHS/ASPE)  
**Subject:** RE: Data on LTC premiums from 2005

Hi Bill,

1. The premiums are in constant dollars and refer to 2005 data.
2. We don't know what type of policy would "meet their needs", and left this to them to answer. We wanted to get a pure sense of "willingness to pay", so we asked it in the context of what they would be willing to pay for a policy that met their needs.

Regarding the data below, it is really important to make sure that you are comparing apples to apples. The biggest question that I have relates to the type of inflation protection built in. If there is a difference, its largest impact would be at younger ages and the impact would decline over time.

Marc

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**From:** Marton, William (HHS/ASPE) [mailto:████████████████████]  
**Sent:** Thursday, October 22, 2009 12:56 PM  
**To:** Marc Cohen  
**Subject:** RE: Data on LTC premiums from 2005

Thanks, Marc! Very interesting. Two quick questions re. the last two figures: Are the premiums in constant dollars? And, do you have any sense as to what type of policy nonbuyers are referring to "that met their needs"? Also, below is a table of premiums by age as estimated by the American Academy of Actuaries for an earlier version of the CLASS Act and for four benefit levels for the Federal LTC Insurance Plan. I can't share with you our estimates for CLASS, but they are in the ballpark of the AAA numbers. I can't imagine that CLASS would not have high levels of adverse selection given the significantly higher premiums compared to similar policies in the private market.

Bill

Level Monthly Premium by LTC Insurance Plan and Issue Age

AAA Est. of CLASS Act	FLTCIP	FL
\$75/Day Unlimited	\$100/Day Unlimited	\$150/Day

Issue Age	2+ ADLS (Total = NA)	2+ ADLS (Total = NA)	2+ (Total = NA)
35	\$136	\$55	\$
50	\$152	\$104	\$
65	\$231	\$220	\$
Weighted Avg	\$160		

Notes:

AAA estimates assume a 6% participation rate and 2.8% growth in benefits per year  
 FLTCIP rate quotes are for 4% automatic compound inflation AND individuals must i

**From:** Marc Cohen [mailto: [REDACTED]]  
**Sent:** Thursday, October 22, 2009 9:34 AM  
**To:** Marton, William (HHS/ASPE)  
**Cc:** Katz, Ruth (HHS/ASPE)  
**Subject:** Data on LTC premiums from 2005

Hi Bill,

I am attaching some tables for your review that explore the relationship between

1. Income status and policies purchased (including premium information)
2. Age status and policies purchased (including premium information)
3. The amount non-buyers would be willing to pay in terms of premiums for LTC insurance
4. The Percentage of Nonbuyers Willing to Pay Average Monthly Premiums Paid by Buyers in 2005, 2000, 1995, and 1990, by Age.

This last chart may be particularly instructive. Note that these individuals have fairly high income and asset levels so these would have to be viewed as absolutely upper bound for reported willingness to pay in 2005.

Hope this is helpful.

Marc