

HRS Insight

Human Resource Services

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CLASS Act implementation suspended by HHS

"I do not see a path to move forward with CLASS at this time. I recommend that we work with Congress and stakeholders, including consumers, insurers, and employers, to continue exploring all of the options to address the critical long-term care needs of Americans."

Kathy Greenlee, CLASS Administrator

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The Community Living Assistance Service and Supports (CLASS) Act, part of the Affordable Care Act (ACA), was officially ended on Friday by HHS Secretary Kathleen Sebelius. The law established a national voluntary insurance program for purchasing long term care services through payroll deduction or direct contributions to a government fund. The program's unique features included lifetime benefits, without underwriting, along with cash benefits. The law included requirements that benefits be funded solely by participants, without taxpayer subsidy, and that the program be solvent (i.e., "actuarially sound") for a 75 year period. The HHS office responsible for implementing the CLASS Act was unable to reconcile these two requirements, particularly given that the ACA did not include provisions specifying what would

happen if, sometime during that 75 year period, it was determined that actuarial soundness could no longer be achieved.

After 19 months of effort, all parties involved (including the HHS CLASS Office, the HHS Assistant Secretary for Planning and Evaluation, the Office of General Counsel, an in-house actuary and two outside actuarial firms) feared that if the CLASS Act was implemented but then collapsed, those holding long term care policies under the program would not receive the benefits they had purchased. The parties were concerned that these individuals would not be able to transition to another long term care insurance program because they might no longer meet the underwriting requirements of private long term care insurance if they developed a medical condition during the period prior to the program's collapse.



Recognizing that only about 2.8% of Americans have long term care policies, while nursing homes can cost \$80,000 per year, the communication from the CLASS Administrator to HHS Secretary Sebelius, stated, "We share your view that the current lack of alternatives available to many middle-class Americans is unacceptable, as it can force people into poverty and avoidable institutionalization."

The final announcement by Secretary Sebelius was not unexpected. The CLASS Act was a revenue generator (based on Congressional financial assessment rules) that helped to achieve enactment of the ACA, but the program was not thought to be sustainable.

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