

CLASS Dismissed: Obama Administration Pulls Plug On Long-Term Care Program

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Federal officials on Friday [effectively shut down](#) part of the health care law that would have helped consumers cover some long-term-care costs, saying they could not find a way to make it work financially.

After looking at a variety of options, the Obama administration determined the CLASS Act program could not simultaneously meet three important criteria: be self-sustaining, financially sound for 75 years and affordable to consumers.

The move does not affect the rest of the health care law, although it does remove more than \$70 billion in expected federal budgetary savings over 10 years. The savings would have come having policyholders pay premiums for the first few years, but not receive benefits until 2017.

The program – championed by the late Sen. Edward Kennedy – would have allowed working adults to apply for insurance that would provide up to \$50 a day in cash benefits if they became disabled. The money could be used to help with in-home assistance or nursing home care.

While acknowledging the need for such long-term-care assistance, the program's administrator, Kathy Greenlee, said Friday that the numbers just didn't add up.

Under one scenario shown in [a report sent to Congress Friday](#), administration analysts said a basic CLASS insurance plan with a \$50 a day benefit might have cost \$235 to \$391 month. That might have been more than consumers would have been willing to pay based on the benefit. If enough people did not voluntarily enroll, the program would not have been self-sustaining.

"The overall program could not run if it had a highly priced solvent product no one would buy," said Greenlee, administrator of the Community Living Assistance Services and Supports (CLASS) program.

Republicans had slammed the CLASS since its inception, describing it as a scheme that would require policyholders to pay into a program whose costs would quickly surpass its revenues. Recently, Hill Republicans had asked for a congressional hearing into the program and had released a report that concluded HHS officials ignored warnings about its sustainability.

Late last month, the Obama administration reduced the CLASS office staff, and the Senate Appropriations Committee approved a draft spending measure that cut funding for the program's planning and implementation.

Rep. Denny Rehberg, R-Mont., who chairs the House Labor and Health and Human Services appropriations subcommittee, recently called the CLASS Act "a budget gimmick to make the cost of Obamacare look better and cheaper."

HHS officials had said for months they were evaluating the program to make sure it could deliver an actuarially sound, affordable product. In February, [HHS Secretary Kathleen Sebelius said](#) it would be "irresponsible ... to ignore the concerns about the CLASS program's long-term sustainability in its current form, and we haven't done that. But it would be unconscionable to ignore the likelihood that without the CLASS Act countless Americans will have to clear out their savings and leave their homes and loved ones in order to get the services they need."

Separately, in an [April 2010 report](#) Centers for Medicare and Medicaid Services chief actuary Richard Foster predicted that over the long term, "there is a very serious risk that the problem of adverse selection will make the CLASS program unsustainable."

The decision to stop implementation of the program will no doubt add fuel to the ongoing GOP campaign to repeal or, at the very least, defund the health law before its major provisions – including exchanges to help people purchase coverage and an expansion of Medicaid -- go into effect in 2014.

"All the kings' horses and all the kings' men just can't make this law work," says critic Michael Cannon of the libertarian Cato Institute.

Greenlee and other officials were quick to say that the rest of the law is moving forward – and that deficit reduction resulting from other provisions in the law is estimated to save \$127 billion from 2012 to 2021. Nonetheless, she said the Office of Management and Budget will likely further reduce revenue estimates from the CLASS program in the president's 2013 baseline budget.

Sen. Mike Enzi of Wyoming, the ranking Republican on the Senate Health, Education, Labor and Pensions (HELP) Committee, praised Sebelius' decision to pull the CLASS program. He also said it may indicate more problems ahead for other provisions of the health law.

"After seeing the many unintended consequences that surround the President's new health care law, this is more evidence that casts suspicion and doubt on the remaining portions of law. Rather than increasing premiums and eliminating coverage, maybe now Congress can take a stand and work to make health care more affordable," Enzi said in a statement.

But an administration official said the decision did not endanger other parts of the law. "The CLASS program is a unique, stand-alone program," he said. "Long term care is important and it's something we are committed to addressing, but drawing conclusions between this and other parts of the law simply doesn't make sense."

Congressman Frank Pallone, Jr., D-N.J., a co-author of CLASS, also disagreed with Enzi.

"While we are fighting so hard against Republican attempts to cut Medicaid, which is currently the only available option for long-term care for seniors and the disabled, abandoning the CLASS Act

is the wrong decision," he said in a statement. "Soon enough, those in need will have nowhere to go for long term care."

The seniors group AARP also said it was disappointed by the decision and urged the administration to look for ways to make the program viable. "Medicare does not cover long-term care, and 70 percent of people age 65 and over will need long-term care services at some point in their lifetime," said Joyce A. Rogers, senior vice president for government affairs at AARP.
