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CBPP STATEMENT

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**STATEMENT BY PAUL N. VAN DE WATER,
SENIOR FELLOW,
ON THE CLASS ACT**

Health and Human Services (HHS) Secretary Kathleen Sebelius' announcement today that her department has not been able to design a financially self-sustaining CLASS program within the law's boundaries is sad but not surprising. It does not, however, eliminate the need for new protections against the costs of long-term care. Nor does it have any bearing on the health coverage expansions and other core provisions of health reform.

The health reform law (the Affordable Care Act, or ACA) established a new federal, voluntary long-term care insurance program, known as Community Living Assistance Services and Supports, or CLASS. In contrast to previous proposals for tax credits or deductions for purchasing long-term care insurance, CLASS is intended to be entirely *self-financed* rather than *deficit-financed*. Beneficiary premiums must fully cover program costs, so that CLASS does not add to the federal deficit. The law specifically requires the Secretary of HHS to structure its benefits and set its premiums to assure that it is fiscally sound, taking in as much money as it pays out for each generation of workers. Only if HHS can design a program that meets that requirement, the law says, can CLASS go forward. Today's announcement that HHS is not able to do so is not surprising; the department broadly hinted at that conclusion a few weeks ago.

CLASS aims to fill a serious need — protection against the costs of long-term care — and that need certainly has not gone away or shrunk. Long-term supports and services remain inadequate and unaffordable for many people. HHS should now explore a full range of options for developing a successful long-term care program, including but not limited to possible legislative improvements in CLASS. Unfortunately, repeal of CLASS could lead to pressure for alternative approaches to subsidizing long-term care costs that, like earlier proposals, add to deficits and debt.

Finally, today's report has no bearing on the ACA's health coverage expansions and other core provisions. The provisions that expand health coverage are completely distinct and separate from CLASS. Whatever the future of CLASS, the ACA will still extend health care coverage to over 30 million people who would otherwise be uninsured and, based on Congressional Budget Office estimates, will not increase the deficit.

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