

## Legislative Brief

### HHS Secretary Kathleen Sebelius Releases Recommendation to Halt the CLASS Act



October 2011

Department of Health and Human Services (HHS) Secretary Kathleen Sebelius announced this afternoon her recommendation to halt implementation of the Community Living Assistance Services and Supports (CLASS) Act. In letters to congressional leaders, Sebelius wrote that she does not see "a viable path forward for CLASS implementation at this time" and recommends a halt to the program's implementation efforts.

The CLASS Act was established through the Patient Protection and Affordable Care Act (PPACA) to be an optional, government-backed, long-term care insurance program that requires a five-year vesting period before subscribers can collect benefits. Because of this vesting period, the Congressional Budget Office (CBO) estimated that in its first 10 years \$70 billion in deficit reductions would occur as a result. These estimated savings were crucial to securing support for-and ultimately passage of-health care reform legislation. Since its inception, however, many experts have pointed to key design flaws such as the program's brief vesting periods and large threat of adverse selection as a recipe for disaster.

This breaking news comes after a particularly tough month for the program and follows increased calls for its repeal. Just recently, a bicameral Republican Repeal CLASS Working Group issued a report claiming that HHS officials withheld concerns over the unsustainable nature of the program from congressional leaders and the American public in the effort to pass health care reform legislation. Barely a week after the release of this report, the CLASS Act faced more public scrutiny after an e-mail from HHS official Bob Yee was publicly circulated announcing to colleagues he was leaving his position because the CLASS Act office was closing effective almost immediately. Yee served as the HHS actuary overseeing the CLASS Act. The e-mail left the Obama administration fiercely denying reports of the program's demise, and a statement was released saying the CLASS office is cutting back on staff but not shutting down.

In a memo explaining HHS's decision not to move forward with the program, Assistant Secretary for Aging Kathy Greenlee revealed that the steps necessary to make the program solvent are beyond the statutory authority of the department and risk violating the law. The program's collapse raises additional questions such as why the administration spent so much effort trying to implement a program that contained serious flaws from the outset and why the department failed to publicly address concerns its own officials were voicing. Today's development comes nearly two years after initial concerns about the CLASS Act were raised.

Read materials released by HHS today here:

[Memo from Secretary Sebelius](#)  
[HHS Report Analyzing CLASS Act Implementation Options](#)  
[Op-Ed by Secretary Sebelius Explaining Decision to Halt CLASS Act](#)