

Understanding the New Community Living Assistance Services and Supports (CLASS) Program

Health care reform legislation recently signed into law will greatly increase the availability of health insurance and broadly impact the delivery of health care in America. This fact sheet describes a provision that creates a new voluntary national insurance program for long-term services and supports.

CLASS: A New Way to Finance Long-Term Services and Supports

The recently enacted federal health care reform legislation includes a provision that creates a voluntary national insurance program for long-term services and supports (LTSS). The provision, known as the Community Living Assistance Services and Supports (CLASS) program, aims to help address the financial challenges many American households face when confronted with the high cost of LTSS.¹

Most persons who need LTSS have few feasible options for financing their care. Many typically rely on their own resources or on help from family members for the care they need. Private long-term care insurance, while available, is not an option for many people because it is often too expensive. Similarly, although coverage through the Medicaid program is available, individuals must generally deplete virtually all their assets to qualify. In addition, in some states, Medicaid coverage for LTSS is provided primarily in institutional settings, such as nursing homes, whereas most people would prefer to remain in their home or community.

The CLASS program offers a solution to this financing challenge that is different

from what is currently available in the private market.

- The program is financed through private contributions but administered by the federal government.
- There is no medical underwriting to participate.
- The program pays cash benefits and imposes no lifetime benefit limits.
- Enrollment is through automatic payroll deduction, if the employer chooses to participate, or through an alternative mechanism otherwise. Employees who choose not to participate through their employer may opt out of the program.

The effective date of the CLASS program legislation is January 1, 2011. The Secretary of the Department of Health and Human Services (HHS) is required to designate a CLASS benefit plan by October 1, 2012. The statute does not specify when enrollment must begin—it is likely to begin after the Secretary has designated a benefit plan.

Who Can Participate in CLASS?

Participants in CLASS must be at least 18 years old and working. Work requirements are modest. An individual

must earn enough per year to qualify for one quarter of Social Security coverage, which in 2010 is about \$1,100 a year.

Enrollment will be through automatic payroll deductions (with the ability to opt out of participating) for workers whose employers choose to participate in the program. Each month, the cost of the premium will be deducted from the enrollee's paycheck and deposited in a CLASS fund.

Employers are not required to participate, however.² Workers whose employers do not participate, who are self-employed, or who have more than one employer will be able to enroll under an alternative mechanism that will be developed by the Secretary of HHS.

How Are Premiums Computed?

Premiums will vary by age. Younger enrollees will pay lower premiums than older enrollees. Premiums will not vary by medical condition, income, or other factors. As a result, many people who previously could not afford, or were denied coverage for, private long-term care insurance because of a pre-existing medical condition will have access to insurance coverage for LTSS through CLASS.

The law does not specify CLASS premiums; instead, it specifies that the HHS Secretary will establish premiums at a level that ensures that the program will be solvent for 75 years. In addition, it specifies that full-time students who are working and persons with income below the federal poverty level will pay nominal premiums. The Congressional Budget Office (CBO) assumed average premiums of \$123 a month in its cost estimate of CLASS.

In general, premiums will remain level for enrollees. There are two exceptions. Premiums will increase if the Secretary determines that an increase is necessary

to maintain program solvency, although certain enrollees will be exempt from such an increase. Premiums will also increase if there is a lapse in payment of more than three months and the person wishes to re-enroll. In that instance, premiums will be adjusted upward according to the person's age. A participant who re-enrolls after more than a five-year lapse will face a penalty as well as an adjustment in premiums.

What Are the Benefit Amounts?

To receive benefits, participants must meet the following criteria:

1. Pay premiums for at least five years (vesting requirement);
2. Work for at least three of the initial five years they are enrolled; and
3. Have a functional limitation, certified by a licensed health care practitioner, that is expected to last for at least 90 continuous days. The limitation could be at least two or three activities of daily living (such as eating, bathing, and dressing); a cognitive impairment that requires substantial supervision to protect the person from threats to health or safety; or a similar level of functional limitation.
4. A person with a lapse in coverage of more than three months must also pay premiums for at least 24 consecutive months before receiving benefits.

Participants must continue paying premiums to continue receiving benefits. A person may stop working after having met the three-year work requirement, as long as he or she continues to pay premiums.

CLASS pays cash benefits, provided through a debit card. The cash benefit may be used to pay for long-term

services and supports to help enrollees live independently in their homes and communities or to pay for institutional care, such as nursing home care.³ The benefit may also be used to pay caregivers. Participants will be able to roll over their benefits from month to month (for up to 12 months) to use for more costly items, such as home modification or specialized transportation.

The benefit will be at least an average of \$50 a day. Higher benefits will be paid to persons with higher disability levels. The law does not specify a maximum benefit amount but leaves that to the Secretary to determine. The Secretary may designate between two to six benefit amounts. The benefit amount is indexed to general price increases.⁴ The CBO assumed an average daily benefit of \$75 in its cost estimate of CLASS.

CLASS benefits may not cover the costs of all services and supports enrollees need. Enrollees may supplement their CLASS benefit with their own savings and resources; care from family, friends, and neighbors; private long-term care insurance; and other public and private programs.

How Does CLASS Interact with Medicaid?

CLASS enrollees who qualify for Medicaid will be able to retain some CLASS benefits.⁵ Medicaid recipients in nursing homes may retain 5 percent of their CLASS benefits. Those who receive home and community-based services may retain 50 percent of their CLASS benefits, which could pay for additional services and supports.⁶ Because CLASS benefits offset some Medicaid costs and may help prevent or delay the need to spend down and become eligible for Medicaid, CBO

estimated federal Medicaid savings of about \$2 billion in the initial benefit-paying years.

Finally, CLASS benefits do not affect eligibility or continuing eligibility for benefits under any other federal, state, or locally funded assistance program.

¹ According to the 2009 MetLife Survey, average nursing home costs are more than \$70,000 a year, while assisted living facilities average around \$37,000 a year. Home care services (such as home health aides and homemaker services) average around \$20 an hour, and adult day care averages \$67 a day.

² Employers are also not required to contribute to the program.

³ Examples of such services and supports include, but are not limited to, home modifications, assistive technology, accessible transportation, homemaker services, respite care, personal assistance services, home care aides, and nursing support.

⁴ Benefit amounts will be indexed to the consumer price index for all urban consumers.

⁵ CLASS would be the primary payer and Medicaid would be the secondary payer in this instance.

⁶ States will be required to meet certain Medicaid criteria in order to receive 50 percent of the CLASS benefits.

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Written by Rhonda Richards and Lina Walker
AARP Public Policy Institute,
601 E Street, NW, Washington, DC 20049
www.aarp.org/ppi
202-434-3891, ppi@aarpp.org
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