

Community Living Assistance Services and Supports Act (CLASS) (S.697 - CLASS Act)

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Overview

Type of Reform: Creating a New Program

Description:

Creates a federally administered voluntary insurance program offering a cash benefit that eligible individuals can use to purchase various LTSS to enable them to continue to live in the community.

Sponsor/Cosponsors:

- Introduced by Sen. Edward Kennedy (D-MA) on March 25, 2009.
- Six Democratic co-sponsors including Sen. Tom Harkin (D-IA), Chris Dodd (D-CT), Sherrod Brown (D-OH), Bob Casey (D-PA), Sheldon Whitehouse (D-RI) and Kirsten Gillibrand (D-NY).

Impact and Action:

- Signed into law By President Obama on March 23, 2010.
- After extensive actuarial, administrative and market research analysis, the CLASS program was deemed unsustainable due to adverse selection, lack of market appeal, and the absence of risk management provisions within the program design.
- The Act was repealed on January 1, 2013, as part of the American Taxpayer Relief Act.

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Program Details

Participation Criteria:

- Actively employed individuals ages 18+ who receive wages that are taxable under the Old Age Survivors and Disability Insurance program or Railroad Retirement Tier 1 Benefits, including those who are self-employed.
- Individuals who satisfy the following requirements:
 - Five-year vesting period of having paid monthly premiums to the program for at least five years and worked during at least three of those five years.
 - Minimum earnings requirement of one quarter of Social Security coverage (for 2011 the amount was \$1,120).
- Program participation is voluntary; there is no medical underwriting or pre-existing condition exclusion.

Conditions for Receiving Benefits Scope of Services:

Demonstrate need for LTSS by meeting one of the following criteria:

- The inability to perform two or more of six basic ADLs without the help of another person.
- Requiring supervision due to a Severe Cognitive Impairment.
- Residing in a care facility are therefore presumed eligible.

Scope of Services

Flexible cash benefit to cover services of choice. There are no limitations or definitions of covered services.

Amount of Services

Minimum daily cash benefit of \$50. Beneficiaries can defer daily benefits into a Life Independent Account (accessible via debit card), but funds cannot be “rolled over” into future years.

Participant Financial Responsibility

- Monthly premiums, which:
 - Vary by age at enrollment, poverty status, or student status.
 - Can be increased for certain individuals if the program costs are not sufficient.
- Congressional Budget Office (CBO) estimated average monthly premiums at \$123 for \$75 per day benefits. CMS estimated \$240 monthly premiums for \$50 per day benefits.

Elimination Period

None specified once benefits begin.

Provider Requirements

No limitations or definitions of eligible providers. Individuals can hire independent care workers, agency-based providers, and/or pay family members, along with any other uses of the cash payment.

Provider Payment Levels

Not applicable.

Inflation Adjustments

Indexed for inflation; no additional details specified.

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Financing & Implementation

Revenue Source(s)

Premiums paid by participating individuals into the Class Independence Fund.

Total Program Costs

- Premiums are intended to be set to cover the cost of the program on an actuarial basis.
- Estimates of \$120 million for start-up administrative costs.
- Estimates of the federal budget impacts varied due to different assumptions about adverse selection and voluntary participation rates.
- Estimates focused on the impact CLASS would have on reducing the federal deficit, with expected cost savings from the five to 10-year vesting period during the program's startup and the program's ability to adjust premiums as needed.
- The Centers for Medicare & Medicaid Services estimated net federal savings of \$38 billion over 10 years, while CBO estimated a \$70 billion savings.

Program Administration

U.S. Administration on Aging responsible for implementation and oversight.

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