School's Out

In a story that started developing in September 2011, the White House has announced it will not enact the National Voluntary Community Living Assistance Services and Support (or CLASS) Act. Final regulations on this provision of healthcare reform were due by October 2012, but on October 15, 2011 Health and Human Services (HHS) Secretary Kathleen Sebelius informed Congress “it could not be implemented in time” and had “design and financial problems.”

The CLASS Act was intended to be a voluntary long-term care program very similar to Social Security as a retirement supplement or Medicare on the medical side. The idea was that consumers would voluntarily allow payroll deductions to be passed through their employers and set aside in a Treasury Fund. Upon a future qualifying event and with certain requirements met (just like Social Security or Medicare today), consumers would then be eligible for a benefit payout toward the cost of their long-term care needs, such as assisted living or a long-term nursing home stay.

There were a number of solvency problems with the CLASS Act but, from the beginning, the biggest was the likelihood that only the sick would enroll. Without the premiums of the healthy, premiums would quickly skyrocket because more dollars would be paid out than the program would bring in. This phenomenon is called adverse selection and on a voluntary basis with no enrollment limitations, this particular provision of healthcare reform was headed to a permanent recess.

This news is no surprise and many of us in the benefits industry forecasted necessary adjustments to this provision right off the bat for it to have any hope of succeeding.

But now that the CLASS Act is off the table, let’s revisit why the subject of long-term care is still a very important one for employers.

Amidst the volatility of today’s housing market, retirement plan losses, unemployment and already sky-high healthcare costs, most of us are just trying to survive another day. But guess how many Americans are, in fact, actually prepared for the long-term care costs that seven out of ten of us are projected to need after the age of 65?

3%. That’s right. 3% of all Americans have long-term care coverage for expenses that average between $250 – 400 per day; and that’s in today’s dollars!!!

As an employer, offering access to voluntary benefits is an increasingly important opportunity to help employees prepare for the significant needs most of them will one day face. School may be out on the CLASS Act, but this important topic is one we hope you'll keep in session.