

By [LOUISE RADNOFSKY](#)

The Obama administration said Friday it wouldn't implement a long-term care insurance program that is part of the 2010 health overhaul, its first major reversal on its signature domestic achievement.

The program, known as the Class Act, was included in the law to [help](#) Americans cover the cost of aid for daily living needs such as bathing and using the toilet if they became unable to care for themselves. Mounting concerns that the program was too costly over the long run prompted officials at the Department of Health and Human Services to re-examine the program in recent months.

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"I do not see a viable path forward for Class implementation at this time," HHS Secretary Kathleen Sebelius said in a letter to congressional leaders released Friday afternoon.

The move emboldened critics of the law, who said the pullback undermines the broader foundations of the health overhaul. Despite the popularity of some individual provisions, Americans remain divided in their support for the overhaul. All the Republican president candidates have pledged to repeal it, and GOP leaders consider the health overhaul a political liability for President Obama in the 2012 president race.

But supporters of the law say that losing the Class Act will have little impact on the law's effectiveness, given that it was an isolated part of the law. The main parts of the law, particularly its measures to expand insurance coverage to more than 30 million Americans, remain untouched by Friday's announcement.

The change also is unlikely to factor into the bigger battle over the law: a GOP-led challenge to the law's [individual insurance](#) requirement that the Supreme Court is expected to hear during its 2011-12 term. The plaintiffs argue that requiring Americans to carry insurance or pay a fee exceeds Congress's power under the Constitution. If that part of the law were struck down, it's not clear whether the rest of the law could stand, given that most key parts of the law depend on it.

HHS officials said actuaries spent 19 months attempting to design a voluntary long-term care insurance program that met the requirements of the law. That called for making sure the program would remain fiscally solvent and pay for itself for at least 75 years.

A key problem was establishing premiums that would be low enough for people to want to participate, officials said. HHS did have suggestions on how the program could be made viable, and plans to discuss its future with lawmakers, consumer advocates and industry groups, said Sherry Glied, assistant secretary for planning and evaluation in a conference call with reporters Friday.

The program was projected to generate tens of billions of dollars of revenue in its early years, when it was taking in premiums and paying out little in claims. But over time, its

obligation to pay out claims was projected to exceed that revenue.

Republicans have long criticized the program, arguing that supporters refused to admit that it could not work, because they needed to tout the savings as part of the overall impact of the health-care overhaul.

"The Obama administration today acknowledged what they refused to admit when they passed their partisan health bill: The Class Act was a budget gimmick that might enhance the numbers on a Washington bureaucrat's spreadsheet but was destined to fail in the real world," Senate Minority Leader Mitch McConnell (R., Ky.) said. "It is worth remembering that the Class Act is only one of the unwise, unsustainable components of an unwise, unsustainable law."

HHS officials said the decision to stop trying to implement the Class program would not affect any of the other overhaul efforts. The health-care law included a specific provision that made the establishment of the program contingent on whether HHS could prove that it was sustainable and self-funding.

Supporters of the program criticized Ms. Sebelius for acting too hastily and said the actuarial analysis released by the administration suggested it could work.

"We're disappointed the secretary has prematurely stated she does not see a path forward to properly implement Class," said Joyce Rogers, a top lobbyist for AARP, the advocacy group for seniors. "A path forward is essential because the need for long-term care will only continue to grow."

The Class program was a top priority of the late Sen. Edward Kennedy (D., Mass.), and Democrats were reluctant to tamper with it. The co-sponsor of the provision that created the program, Rep. Frank Pallone (D., N.J.), called the administration's decision "simply wrong."

But intense voter pressure over federal spending has loosened Democrats' obligation to maintain it for the sake of Sen. Kennedy's legacy. In recent weeks, the program appeared on its last legs after the agency terminated the program's top actuary and reassigned remaining staff members.

Other small pieces of the health overhaul law have been peeled back. President Barack Obama signed a bill to repeal a piece of the law that required businesses to file a 1099 tax form when they pay a vendor more than \$600 in a year after loud complaints that it burdened small businesses.