

## Fix the CLASS Act, Don't Repeal It

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### Abstract

The Community Living Assistance Services and Supports (CLASS) Act is a national, voluntary long-term care insurance program included in the Affordable Care Act of 2010. Some congressional critics would repeal the law. But while the measure is poorly designed, it should be reformed.

Changes could increase the marketability of the policies and avoid adverse selection that threatens this insurance program. A successful CLASS program would be a first step towards transforming long-term care from Medicaid to an insurance-based system.

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### McClatchy-Tribune News Service: Fix the CLASS Act, Don't Repeal It

One of the key battles over the fate of the landmark 2010 health law is being fought over an obscure provision called the Community Living Assistance Services and Supports (CLASS) Act.

CLASS is a national, voluntary long-term care insurance program that aims to help pay for personal care for the frail elderly and younger people with disabilities. Polls suggest the idea is popular among those who know about it. But there are real questions about whether, as designed, it can succeed. And some critics, such as syndicated columnist Charles Krauthammer, rip the program as a "swindle" and a "reckless entitlement."

On Feb. 7, Health and Human Services Secretary Kathleen Sebelius acknowledged some of the program's many design flaws and vowed to fix them. The question now is whether Washington should try to repair CLASS or scrap it, as most Republicans and some Democrats prefer.

CLASS should be revamped, not repealed, because it is a modest first step toward turning long-term care from an unsound and inappropriate welfare program into an insurance-based system.

Today, long-term care is largely paid for by an underfunded entitlement program. Medicaid spends fully one-third of its budget - \$120 billion annually - on both home-based and nursing facility personal care. This joint federal/state program is by far the nation's biggest payer of long-term services, funding nearly half of all costs. By contrast, private long-term care insurance pays less than 10 percent.

Medicaid is busting both the federal and state budgets. Even before the added obligations of health reform, the Congressional Budget Office projected the program will absorb 16 percent of all projected federal tax dollars by mid-century. That's not sustainable.

As currently designed, CLASS would provide an average minimum benefit of \$50 per day for life. And it would distribute this benefit in cash - a feature that would give consumers broad choice in how they structure their care. This flexibility would be a vast improvement over a Medicaid program that too often forces the frail elderly into nursing homes.

But critics are blinded by their green eyeshades. They are offended that, for budget scoring purposes, CLASS counts as a \$70 billion revenue-raiser that helps fund the overall 2010 health law. They also worry that it will fail as self-funded insurance and morph into a new entitlement. I share these concerns. However, the responsible answer is not to repeal CLASS, but to repair it. Here's how:

First, narrow the focus. Today, CLASS attempts to achieve two goals at once. It wants to provide a personal care benefit for working people with disabilities as well as insurance for those worried about needing assistance in old age. It does this by making coverage available to all, regardless of health status, as long as they make a minimum of only about \$1,100 in wages per year. This makes it very easy for the disabled to enroll but unfortunately will drive up premiums for everyone else and limit their participation.

CLASS needs to be an insurance program only. Congress should make personal assistance benefits available to working people with disabilities - but not through CLASS.

Second, encourage employers to include this insurance in their employee benefit plans. CLASS will succeed only with robust enrollment, but people must be nudged to participate. Congress should add incentives that will encourage employers to do that marketing.

Finally, Congress should create an independent insurance fund to collect and invest CLASS premiums. This would end the budget gimmickry that troubles deficit hawks. More important, it would assure participants that they are buying real insurance and not just exchanging their premium dollars for government IOUs.

Someday, perhaps, the United States will make the choice that nearly every other major developed nation in the world has already made. And that is to create a national, mandatory, long-term care insurance system funded by some mix of taxes and premiums. Coverage could be provided by private insurers - just as the Medicare Part D drug benefit is today - or it could be run by the government.

Given our current anti-government, anti-tax climate, this won't happen any time soon. But that doesn't mean our long-term care needs are going away. It costs more than \$200-a-day, on average, to stay in a nursing home. Home health aides cost \$20 per hour. And after reaching age 65, more than two out of three of us will need some long-term care before we die. We are woefully unprepared both as families and as a society for these needs, and the problem will only get worse as 77 million baby boomers age. Medicaid is not the answer. Neither is repealing CLASS.

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