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Flawed aid for long-term care

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AN ESTIMATED 10 million elderly and disabled Americans need some sort of long-term care and help with the tasks of daily living. That number will grow as America ages. But the only federal program that pays for such services is Medicaid: Individuals who need long-term care have to spend down their assets to become poor enough to qualify. So does it make sense to establish a federal program under which people could buy long-term care insurance? Does it make sense to do this within the context of health reform? The House and Senate proposals contain such a program. We are sympathetic to the need but have doubts about its advisability.

The program, known as the Community Living Assistance Services and Supports (CLASS) Act, would be an innovative, voluntary insurance program run by the federal government. Employers could choose to have workers automatically enrolled unless they opt out, and premiums would be deducted from their paychecks. After paying in for five years, they would be entitled, if they become disabled, to a cash benefit -- at least $50 a day -- to pay for the non-medical services they need to remain at home rather than going to a nursing home. The premiums and benefits are required to be set at a level that will ensure the program is actuarially sound for 75 years.

Sounds good, yet there are serious concerns about whether the program will work -- or whether, because of low participation rates that would leave it mostly enrolling sicker people, it will end up having to set premiums so high or offer benefits so skimpy that lawmakers will be moved to bail it out. The Obama administration says not. "We're entirely persuaded that reasonable premiums, solid participation rates and financial solvency over the 75-year period can be maintained," Richard Frank, deputy assistant secretary for the Office of Disability, Aging and Long-Term Care Policy at the Department of Health and Human Services, told a Kaiser Family Foundation conference.

But both the Congressional Budget Office and the chief actuary for the Medicare program have expressed misgivings. The Medicare actuary, Richard S. Foster, cited "a very serious risk": Adverse selection -- sicker people signing up for the program and the healthier staying away -- "would make the CLASS program unsustainable." He said that even beginning premiums would have to be $240 a month. Likewise, CBO director Douglas W. Elmendorf warned that "the CLASS program could be subject to considerable financial risk in the future if it were unable to attract a sufficiently healthy group of enrollees."

There are already enough risks and uncertainties in health reform. Long-term care is an important topic, but it is one that deserves more careful scrutiny than has taken place in the context of the broader health-reform debate.