

THE ORANGE COUNTY BETA REGISTER

Orange Grove: CLASS act in health bill really isn't

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2010-01-06 17:26:24



Just before the curtain closed on 2009, the U.S. Senate voted to proceed with landmark health care legislation. The bill had appeared to be at a dead end, until Senate leaders assuaged moderates' concerns about cost by dropping both the "public option" and the proposed "Medicare buy-in" for people between the ages of 55 and 65.

But if they were really concerned about the cost of the bill, the moderate holdouts should've requested that a third expensive provision – the so-called CLASS Act – also be dropped.

The CLASS Act – an acronym for the Community Living Assistance Services and Supports Act – would establish a national long-term care insurance program. Proponents claim that it would help seniors and the disabled pay for things like an in-home caretaker or adult day services – all while purportedly lowering the federal budget deficit.

But it takes some creative math to come up with those cost savings. In reality, the CLASS Act would create a massive new entitlement that would rapidly become a liability for taxpayers. America can ill-afford to add yet another money sink to its balance sheet.

The CLASS program is designed to be self-financed by monthly premiums deducted from workers' paychecks. Participants in the program would be eligible for cash benefits of \$50 to \$100 per day if they became disabled – but only if they had paid premiums for at least five years.

A recent analysis from the Congressional Budget Office concluded that the CLASS Act would reduce the federal deficit by \$72.5 billion the first decade. Supporters of the program have been quick to point to the CBO study as proof that the CLASS Act will save the government money.

Unfortunately, the CBO employed some fuzzy math. After all, the CLASS program would collect premiums for five full years before it had to pay out its first cash benefit. By counting 10 years of premium collections – but only five years of payouts – the CBO can "calculate" that the program will be a net positive for the government's balance sheet.

What about the decades after that? Once the CLASS plan starts disbursing benefits, the liability to taxpayers will mushroom. Indeed, the CBO confirms, "In the decade following 2029, the CLASS program would begin to increase budget deficits ... by amounts on the order of tens of billions of dollars for each 10-year period."

Worse, because the CLASS program is voluntary and open to all Americans, it's likely that only people who think they'll need the benefits will sign up. If the insurance pool is comprised primarily of costly patients, premiums will have to be even higher to compensate. As premiums increase to offset the cost of covering beneficiaries, comparatively healthier enrollees will drop their coverage. This "death spiral" will perpetuate until there are not enough premium-paying customers to cover benefit payouts.

Various government analysts estimate that 2 percent to 6 percent of those eligible will sign up for the

CLASS program. With a pool that small, it's a virtual certainty that each of the participants will claim far more in benefits than they ever pay in premiums.

Indeed, in its recent analysis of the CLASS provision in the House bill, the Centers for Medicare and Medicaid Services found that there's a "significant risk" that the death spiral "would make the CLASS program unsustainable," and that it faces "a significant risk of failure." The CMS calculated that premiums in the program could initially be as high as \$180 per month.

One senatorial critic of the CLASS Act dubbed it a "Ponzi scheme of the first order." How classless to stick future generations of taxpayers with responsibility for unwinding this multibillion-dollar entitlement mistake.

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