

The CLASS Act: A Flawed But Powerful Game-Changer for Long-Term Care



TOPICS: [AGING](#), [MEDICAID](#), [HEALTH REFORM](#)

Howard Gleckman, Senior Research Associate at the Urban Institute

NOV 30, 2009

[View all previous columns »](#)

Congress may be about to make major changes in the way 10 million frail elderly and adults with disabilities pay for long-term care services. Buried in both the House-passed health bill and the Senate Democratic leadership measure, the Community Living Assistance Services and Supports (CLASS) Act would, for the first time, create a national long-term care insurance program.

Every worker would get basic coverage under CLASS, for care either at-home or in a nursing facility. They'd pay premiums for five years, and they'd have to need help with at least two activities of daily living (such as bathing or dressing) before they'd be eligible for benefits. While these would be modest (perhaps \$75 a day), they would be available in cash. It is hard to overestimate how significant this could be for those Americans who need assistance and the 40 million family members and friends who care for them.

Equally important, CLASS could become the model for a new type of government benefit. Not welfare-like Medicaid. Not another under-funded entitlement such as Social Security. Rather, if designed properly, CLASS could become fully-funded insurance. It would give families the help they need to care for their loved ones. It could help pay for a wheelchair ramp so mom could stay at home. It might make it possible for dad to hire his niece to help him for four or five hours a day, or pay for his visits to an adult day center.

But it is not easy, and done badly, CLASS could merely repeat the flaws of so many other well-intended government programs of the past. Why should people purchase from the government when they won't buy from private companies? And premiums would quickly become unsustainably high if too many buyers are at high risk for becoming disabled.

A key goal of national long-term care insurance is to reduce the role of Medicaid, which today pays for more than 40 percent of all personal care for seniors and others with disabilities. While Medicaid provides a critical safety net, it also often forces the disabled into the wrong care, in the wrong place, at the wrong time. For instance, most benefits go only to those in nursing homes, even though they are often the last place people want to live. And to qualify, people normally are allowed to keep only a few thousand dollars of financial assets and earn only a few hundred dollars a month.

Basic cash insurance would be a game-changer for hard-pressed families. It would replace Medicaid with a flexible benefit that allows families to organize the right care for their loved ones. Does mom need a wheelchair ramp so she can stay home? Would dad like to hire your niece to care for him? No problem.

To the degree that national long-term care insurance can reduce the number of people who go broke and turn to Medicaid for help, both states and the federal government will also come away winners. Medicaid spends one-third of its entire budget, or more than \$100 billion a year, on long-term care. The Congressional Budget Office estimates Medicaid will absorb a stunning one-sixth of all federal tax revenues by mid-century. And it is putting enormous financial pressure on states that pay nearly half its costs.

Private long-term care insurance is not doing the job either. Few buy a product that is costly—typically \$3,000 a year for a 65-year old—complicated, and, frankly, too depressing to think about. Today, only about seven million people have long-term care insurance, compared to 250 million who have health insurance. That's the real crisis of the uninsured.

But CLASS risks the same market failure as private insurance. Why should people purchase from the government when they won't buy from private companies?

I'd solve this problem by, gasp, making CLASS insurance mandatory. We effectively do this for auto and homeowner insurance and few complain. And universal coverage could cost as little as \$50 per month—a small price to pay to lay off some of the risk of care. Those who want more coverage could buy private insurance, much like they purchase a Medicare supplement (Medigap) today. France has universal basic insurance and one-quarter of those 65 and older enhance this coverage with private policies.

If the insurance is to remain voluntary, as in the CLASS Act, government needs to combine carrots and sticks to encourage participation. Employers should be required to offer payroll withholding, but should also get tax benefits for making premium contributions. Workers should pay a penalty for delaying enrollment, just as with Medicare Part D today. But they should also be allowed to buy coverage with pre-tax dollars.

And whatever else it does, the program needs to pay for itself. Premiums should be deposited in a quasi-government corporation that can prudently invest premiums but is walled off from the grasping hands of Congress.

Pay attention to the CLASS Act. It can not only provide better long-term care for those who so desperately need this assistance, it can also become a new way to help those in need in an era of \$1 trillion-plus budget deficits. But only if it is done right.

Howard Gleckman, a resident fellow at the Urban Institute, is author of "Caring For Our Parents" and a frequent writer and speaker on long-term care issues.

MOST POPULAR

VIEWED	EMAILED	SEARCHED
1. Consumers Guide To Health Reform »		
2. The Immediate Effects Of The Health Reform Bill »		
3. How The Health Bill Would Affect You »		
4. Doctors, Hospitals, Insurers, Pharma Come Out Ahead With Health Bill »		

5. Next Step: Selling The Health Bill To The Public Before November »

© 2010 Henry J. Kaiser Family Foundation. All rights reserved.