A CLASSy Proposal?

DOUGLAS HOLTZ-EAKIN | FEBRUARY 28, 2019

Eakinomics: A CLASSy Proposal?

To considerable fanfare, House Democrat Pramila Jayapal launched her 2019 version of Medicare-for-All (MFA). Expect it to face criticism over its enormous cost, lack of a specified source of financing, and implications for the quality of and access to care in the United States. Those are all familiar issues for Eakinomics, well-trod territory to which we are probably fated to return. But for the moment, what caught my eye is a single bullet point under "covered benefits:"

- Long-term care services and supports.

Inside the single-payer health care proposal is a long-term care program. It's like equipping the Titanic with its own iceberg.

Recall the last time the United States flirted with this area. The Community Living Assistance Services and Supports (CLASS) Act was included in the Affordable Care Act and dressed up with deceptive budget gimmicks. The Congressional Budget Office estimated that the CLASS Act would reduce budget deficits by $81 billion over the first decade. The CLASS Act budgeting showed only the "good news" — tax collections in the first decade — while the explosive spending growth was hidden beyond the budget window to stealthily swell deficits in the long run.

Recognizing the dangerous policy and budgetary foundations, then-Sen. Judd Gregg insisted on an amendment requiring that the administration "shall establish all premiums to be paid by enrollees for the year based on an actuarial analysis of the 75-year costs of the program that ensures solvency throughout such 75-year period." Then-Health and Human Services Secretary Kathleen Sebelius sent a letter to Congress admitting there was not "a viable path forward for CLASS implementation at this time," and the CLASS Act was ultimately repealed.

The CLASS Act was a voluntary program that proved too expensive to contemplate. The MFA version would cover the entire population and be much more expensive yet. Its casual inclusion — especially with no specified way to pay for it or the larger MFA — suggests a serious lack of awareness regarding what is being contemplated.

A serious proposal would be welcome because long-term care costs are a major problem facing the United States. The tidal wave of baby boomers will increasingly result in seniors who are unable to live independently. An estimated 7 in 10 seniors will need long-term care of some type during their lives, and nearly 1 in 5 will receive two years of care in an institution of long-term care. There are three potential ways to finance long-term care. The first, which remains the norm, is for care to be "donated" — typically by a family member.

The second is to have care delivered by the private sector and paid for by government programs such as the CLASS Act, MFA, or Medicaid. In particular, Medicaid in part fills the gap by paying the cost of long-term care for low-income seniors – a combination of those who have spent down their savings while living in an

expensive nursing home and higher-income financially savvy seniors who have shielded assets in a way that qualifies them for Medicaid.

The final possibility is private care financed by private insurance policies. Unfortunately, the private market has proven to be insufficiently robust. Ironically, Medicaid itself may be responsible, as its coverage may be crowding out the private market. There have been attempts to expand the private insurance market for middle-income individuals through so-called "Partnership Programs" — partnerships between state Medicaid programs and the private insurance industry designed to enable individuals who purchase qualified long-term care policies to access Medicaid benefits without having to spend down their assets to Medicaid levels. But neither the private market nor Medicaid looks like a robust solution at the moment.

In sum, the bulk of long-term care remains donated care, and there is a need for reforms that can shore up a private market for long-term care insurance. But there is no place for another policy false start that is too expensive to be continued.