



Insight

Repeal CLASS Act Already

DOUGLAS HOLTZ-EAKIN | FEBRUARY 1, 2012

The Community Living Assistance Services and Supports Act is the poster child for President Barack Obama's health care reform: bad policy, deceptive budgeting and stealth government expansion. It's time to make it go away.

In principle, the CLASS Act addresses the real need for improved national approaches to the long-term care needs of an increasingly elderly population. The good news, unfortunately, ends there.

It's not good policy. It offers no strategy for a flexible, market-based delivery of valued services to the homes of those needing assistance. Instead, there's another government check, theoretically financed by payroll taxes during the working years. We've seen this movie before, remember "Social Security: Shaky Foundations" and "Medicare Eats the Budget."

This runs a real danger: Only those guaranteed to have the highest bills sign up for the CLASS Act — and then spending explodes.

The budgetary danger was passed via deception. The Congressional Budget Office estimated that the CLASS Act would reduce budget deficits by [\\$81 billion](#) over the next decade — an amount touted by the reform's advocates. Alas, if it were only true.

The CLASS Act, unfortunately, showed only the tax collections in the first decade. Its 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."

In short, premiums, or payroll taxes, had to be high enough to cover expected costs.

This eliminated the budgetary deception. But it also meant the effective death of the CLASS Act. If premiums had to be set high enough to cover all participants, the overall deal won't be worth it to the healthiest, and they will likely drop it. This means that premiums have to rise further — thereby driving out those in need of moderate help.

This financial spiral continues until only the most expensive of the most expensive remain. And they can't afford to cover their costs.

Health and Human Services Secretary Kathleen Sebelius sent a [letter to Congress](#) in October admitting there was not "a viable path forward for CLASS implementation at this time." It was a rare and healthy dose of common sense.

In light of the CLASS Act's de facto death, the CBO released another [estimate of the cost](#) of repealing CLASS in December — showing it would have zero budgetary impact.

Now the House is considering repealing the CLASS Act. Given that there is “no viable path forward” and no budgetary impact, one would think that the House, Senate, Republicans, Democrats and especially the White House would embrace this legislation.

Not so fast. Obama and the Democrats continue to oppose repeal. What's going on?

Stealth government expansion, that's what. One way to “save” the CLASS Act is to stop the financial death spiral by mandating that every American participate in long-term care insurance. Sound familiar?

Health care reform faces numerous [challenges to its constitutionality](#). But if the individual mandate survives the Supreme Court, some believe the next step would be a CLASS Act mandate — and along with it a larger government, less economic freedom and diminished opportunity.

The CLASS Act should go. Congress must choose now on a bipartisan basis to eliminate a program proven by Democrats and Republicans to be impracticable — and irresponsible.

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