FOCUS on Health Reform

THE HENRY J. KAISER FAMILY FOUNDATION

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The Community Living Assistance Services and Supports (CLASS) Act

Today, over 10 million Americans need long-term services and supports to assist them in life's daily activities, and the number is expected to grow with the aging of the population and growing number of people with disabilities.[1] Currently the Medicaid program is our nation's primary payer and only safety-net program providing comprehensive long-term services and supports. But, Americans who need long-term care qualify for Medicaid only if they are, or become, poor. Medicare's role in providing long-term services is much more limited, covering only short-term skilled nursing and home health. Paying for long-term services and supports can be financially catastrophic for individuals and families given that nursing home costs average over $70,000/year and home health services average $29/hour.[2]

While the debate over health care reform has focused on other matters, health reform proposals in Congress include a program that would expand options for people who become functionally disabled and require long-term services and supports.[3] The following is a brief overview of the CLASS Act and discussion of how it is financed and designed to reach people in need of long-term services and supports. Going forward, aspects of the program could change as Congress continues to debate and refine portions of the bill.

The CLASS Act is a national, voluntary insurance program to facilitate community living services and supports. The program will provide individuals with functional limitations a cash benefit to purchase non-medical services and supports necessary to maintain community residence. Today, the majority of individuals with long-term care needs live in the community (86%). Examples of community living services and supports include housing modification, assistive technologies, personal assistance services and transportation. The goals of the legislation are to provide workers and future retirees with a financing alternative for long-term services and supports that supports community living and does not require them to become impoverished and turn to Medicaid to access these services.

The program is financed through monthly premiums paid by voluntary payroll deductions. Working adults will be automatically enrolled in the program, unless they choose to opt-out. If an employer chooses not to participate, a working adult can enroll by another mechanism set up by the Secretary (e.g. monthly mail-in coupons). Exceptions include patients in a hospital or nursing facility, ICF/MR, IMD, or Medicaid beneficiary. Premium payments will be placed in a "Life Independence Account" on behalf of each eligible beneficiary and managed by the Department of Health and Human Services (HHS) as a new insurance program. Benefits would be paid out of a trust fund consisting of enrollees' premiums and interest earned on its balances. Monthly premium amounts will be determined by the Secretary with respect to maintaining 75 year program solvency. Those below poverty and full-time students would pay nominal premiums.

To qualify for benefits individuals must be 18 years old and have contributed monthly premiums to the program for at least five years. Eligibility for benefits will be determined by state disability determination centers and will be limited to: (1) individuals who are unable to perform two or more activities of daily living (ADL) e.g. eating, bathing, dressing, transferring, or (2) individuals who have an equivalent cognitive disability that requires supervision or hands-on assistance to perform those activities (e.g. traumatic brain injury, Alzheimer's disease, multiple sclerosis, mental retardation). People receive benefits when they present a functional limitation of this type that is expected to last for a continuous period of more than 90 days.

Individuals receive a cash benefit based on degree of disability or impairment averaging no less than $50 per day. The Secretary will set the benefit amount relative to the functional limitation. The cash benefit will be posted to a debit account available for withdrawals. Individuals who do not use the full monthly amount may roll it over from month to month, but not year to year. The benefit is not subject to any lifetime or aggregate limit. Once an individual becomes ineligible for CLASS benefits (by improvement in functional status or death), CLASS Act benefits will cease. Any balance of available services remaining on the individual's account will not be payable. If an eligible individual does choose to move into an institutional facility, CLASS Act benefits will be used to defray those associated expenses.

The CLASS Act would work in conjunction with other long-term services and supports programs such as Medicaid. Eligibility for CLASS program benefits would have no effect on eligibility for Medicaid, Medicare, Social Security retirement, survivors, or disability benefits or Supplemental Security Income (SSI) benefits. If an individual is eligible for both CLASS program benefits and long term services and supports under Medicaid, CLASS benefits could be used to offset the costs to Medicaid. For example, a Medicaid beneficiary who resides in an institution would be able to retain 5 percent of the daily or weekly cash benefit amount with the remainder of the benefit being applied to the facility's cost of providing the beneficiary's care. Alternatively, Medicaid beneficiaries residing in home and community-based settings would retain 50 percent of their daily/weekly cash benefit with the remainder of the benefit going toward the cost to the state of providing such assistance. The CLASS Act would not replace the need for basic health insurance or for long-term care coverage through Medicaid or private long-term care insurance – rather it would supplement this coverage by providing a mechanism to pay for non-medical expenses that allow a person with a disability to remain independent.

The Congressional Budget Office estimates that the CLASS Act's net effect on the federal budget would be to reduce the budget deficit by about $74 billion during the 2010–2019 period.[4] These estimates are based on an average monthly premium of $123 and a cash daily benefit of $75 for life, with no underwriting, that preserves the program's solvency for 75 years. It also assumes the premium amount would not change once an individual enrolls, however the benefit payment would rise each year with inflation. The CBO also estimates a reduction in Medicaid spending over 10 years because some individuals who would receive CLASS benefits would otherwise have had Medicaid pay for those long-term services and supports. The estimated reduction in the federal budget deficit over the 10 year period is the result of the five-year vesting requirement; the payout of benefits would not begin until 2016, five years after the initial enrollment in 2011.

If enacted, the CLASS Act would significantly expand long-term services and support options for millions of Americans with chronic and disabling needs. This provision is included in the Senate Health, Education, Labor and Pensions (HELP) Committee's health reform legislation, and in the amended version of the House Tri-Committee health reform bill (H.R. 3200, America's Affordable Health Choices Act of 2009) approved by the House Committee on Energy and Commerce. If enacted, the CLASS Act will provide an alternative to programs like Medicaid and Medicare, while at the same time, providing a mechanism to pay for non-medical expenses for millions of Americans who need assistance to stay independent and remain in their homes.

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[1] Health Policy Institute, Georgetown University, analysis of data from the 2005 National Health Interview Survey and the 2004 National Nursing Home Survey.
[2] National Clearinghouse for Long-Term Care Information, U.S. Department of Health and Human Services, 2008.
[3] Senate HELP Committee Affordable Health Choices Act, http://help.senate.gov/BAI09A84_xml.pdf and Energy and Commerce Committee amendment to House Tri-Committee America's Affordable Health Choices Act of 2009.
[4] Email correspondence with Connie Garner, Senate HELP Committee, on 10/13/09.

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