

Obamacare Hits Long-Term Care
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If you were tasked with creating a new government health program, what would you use as a model? Would you try to emulate a profitable, sustainable business from the private sector, or would you shoot for the huge budget shortfalls and customer service record of the U.S. Postal Service?

The new health care law uses the latter.

As we peel away the onion of Obamacare, its full impact is becoming clearer. Of the 159 newly created commissions, boards, agencies and programs, one of the least known but most dangerous is the Community Living Assistance Services and Support Act or CLASS Act.

This is a new federal long-term care insurance program that begins in 2012. Those who participate will be able to get cash benefits to help them pay for non-medical services that can keep them out of a long-term care facility.

That's a noble cause, but the immediate impact on workers and the long-term impact on taxpayers are enormous.

According to a report by the Centers for Medicare and Medicaid Services (CMS), which administers both programs, the federal government will begin withholding about \$240 a month in premiums from your paycheck to pay for your participation in the program.

Unless you opt out, you will be automatically enrolled, and the federal government will deduct more than \$2,800 a year. (Low-income Americans will pay only \$5 per month.)

To receive any benefit, you will need to pay into the program for five full years --- totaling nearly \$15,000.

For the estimated 4 percent of Americans who already have long-term care insurance, they have contracted with private companies with a sustainable business model.

Unlike the public option for health insurance that was dismissed in last year's debate, the CLASS Act is a public option for long-term care insurance.

It will compete with private insurers, but with all the perks that federal ownership gives, such as being exempt from regulations put on private insurers.

And there will be busted budgets. Like Social Security, Medicare and Medicaid, long-term sustainability of the program is a fantasy. To be sure, collecting five years' worth of premiums before paying a single benefit will result in an initial surplus.

But after that, according to CMS, the program will quickly devolve into an "insurance death spiral," where the vast majority of participants consume far more resources than they contribute.

Democratic U.S. Sen. Kent Conrad of North Dakota put it more bluntly last year when he called the CLASS Act "a Ponzi scheme of the first order, the kind of thing that Bernie Madoff would have been proud of."

This is not to dismiss the need for long-term care insurance. It is a wise investment that more Americans should purchase.

But if families choose to have outside help, it should not burden generations of taxpayers with yet another unsustainable entitlement program.

We should instead be encouraging greater use of consumer-centered tools, like Health Savings Accounts (HSA) and Flexible Spending Accounts (FSA), so taxpayers can use their own money to pay for assistance in their homes.

Unfortunately, the new health care law goes in the opposite direction. It slashes the tax benefits of FSAs, reducing pre-tax contributions from \$5,000 to \$2,500. HSAs were also hit.

The law increases withdrawal penalties and fails to expand the range of services that can be purchased.

Long-term care is just the type of cost we should be paying for with consumer-centered accounts, as they are more cost-effective than creating another government bureaucracy that won't pay for itself.

The CLASS Act is one more reason the fall elections will be so important in providing some ability to monitor and hopefully change Obamacare. Families and taxpayers can't take any more financial hits.

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