

## Paving the Way for Change: Implementing CLASS

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The historic passage of the 2010 Patient Protection and Affordable Care Act was in many ways a homerun for health advocates who have been working toward meaningful reform for decades. The new law lays the groundwork for sweeping changes in the American health care system, expanding access, coverage, and personal responsibility for care suited to individual needs. For older Americans, particularly those with chronic conditions needing special assistance, the law will do a great many things. It will improve home- and community-based services, expand care coordination opportunities, create a new office within the Centers for Medicare and Medicaid Services (CMS) dedicated to greater quality and efficiency in serving dual eligibles, and develop a CMS Innovation Center to test and bring to scale pioneering care models. Last, but not least, health reform initiates the Community Living Assistance Services and Supports (CLASS) program – a voluntary, federally administered long-term care insurance product that is not taxpayer funded. Together, these components serve as the platform for a more comprehensive approach to providing long-term services and supports. The SCAN Foundation envisions great opportunities to help institute these key provisions.

### ADDRESSING LIFESTYLE SECURITY

Public policy has not kept pace with the aging American population over the last century. While the spheres of income security and health security have been addressed through Social Security and Medicare/Medicaid respectively, lifestyle security – aging how you want and where you want with dignity and independence – has remained largely unaddressed as a policy issue. Those 65 years and older today have a 70 percent chance of needing some form of long-term care, lasting on average three years. Living with serious functional limitations is not simply an older person's issue: 40 percent of those receiving some government support for long-term

care today are between the ages 18 and 64. Lifestyle security means having access to community-based supports that help with tasks of everyday life, such as personal care, transportation, and meal preparation. However, publicly funded support for these services is available to only a fraction of those who need it.

Why address lifestyle security at a time when core entitlements are at risk of future insolvency? Our nation is paying a hefty price to provide some of the most expensive, least person-centered care to vulnerable seniors and the disabled. Currently, a poverty model drives access to long-term

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care. In order to qualify for Medicaid-funded long-term care, individuals must first spend down their personal assets to roughly \$2,000. Medicaid spends over 40 percent of its total budget on the seriously chronically ill and aged, accounting for nearly half of all long-term care spending. Medicare covers some of these needs directly through short-term rehabilitative care. Arguably, high rates of re-hospitalization for seniors suggest that Medicare also serves as a “back-door” payer for unaddressed long-term care needs in a piecemeal way. Going in and out of the hospital in such a manner is far from a person-centered approach. Paying the rest of the bill, individuals and their families spend hundreds of billions of dollars every year out of pocket for personal care and supportive services.

Until now, the only real choice for lifestyle security has been private long-term care insurance. Yet in 25 years, insurers have never covered more than 10 percent of the potential market. Reasons include underwriting, high costs for policies, the mistaken belief that Medicare will pay for long-term care beyond short-term rehabilitation, and avoidance of vulnerability and the end of life.

## A FOCUS ON CLASS

CLASS tackles these policy gaps. The program is not a taxpayer-funded entitlement; it will ease pressure off the three main payers of long-term care (Medicaid, Medicare, and individuals and their families), and it offers individuals the opportunity for future lifestyle security, which the private insurance market alone has not provided.

CLASS creates a voluntary, federally administered insurance program that allows individuals to take personal responsibility for future long-term care needs. It does not exclude people for pre-existing conditions and will be available to all actively employed adults ages 18 and older. The program will be offered by employers through automatic enrollment with an opt-out feature. Those who are self-employed or who work for employers not offering CLASS will be able to enroll directly. Enrollees will have a monthly premium based on their age, with younger people paying considerably less and older adults more. Participants must pay premiums for at least five years before receiving benefits, which qualified adults can access at any age. Those meeting the criteria, which will be based on limitations of everyday activities, will receive cash payments of an average of \$50 dollars per day and possibly more, depending on disability levels. This benefit could be used to cover costs and augment personal spending on a wide range of supports, including personal care, adaptive equipment, adult day programs, residential care, and the like. People will be able to choose from these services and others based on their individual needs and desires.

Today, the infrastructure for long-term care simply does not exist on a large scale. The revenue stream from CLASS will likely transform the marketplace toward more consumer-directed products. CLASS is completely self-funded by law and is required to demonstrate solvency for 75 years, all without taxpayer support. The Congressional Budget Office scored several billion dollar savings in reduced Medicaid expenditures. In short, CLASS represents a fundamentally new way to plan and pay for lifestyle security.

As with any program of this magnitude, important questions remain to be answered in developing rules and regulations. The success of CLASS hinges on a handful of key issues. First, premiums need to be as low as possible to encourage broad participation. Second, CLASS needs to be simple for employers. It needs to operate seamlessly in the background without complicated enrollment, tracking, or payroll deduction processes. Third, there needs to be a thoughtful, creative marketing campaign to encourage widespread adoption.

## WALKING THE WALK

Plowing new ground always comes with risks and uncertainties. Implementation will require fortitude, patience, honesty, and a willingness to take risks – exactly the traits that describe the best in foundation work. Leadership is critical for an upstart program like CLASS to flourish. To this end, below

are some of The SCAN Foundation's early investments to help kick start a successful implementation process.

- **Advance CLASS** – This is a national stakeholder coalition led by Connie Garner, the leading architect of CLASS in the late-Senator Edward Kennedy's office. Advance CLASS is focused on a prompt, straightforward implementation of CLASS and a thoughtful marketing and communications effort to inform the public of its benefits.
- **Public Policy and Aging Report Special Issue** – This special issue featured seven articles recounting the origins of the CLASS Act, analyzing the legislation's key provisions and exploring potential hurdles of implementation.
- **CLASS Technical Assistance Briefs** – This series features highly targeted technical analyses addressing critical implementation issues. These include lessons learned from Cash and Counseling Demonstrations, assessment and eligibility determination processes, lessons learned from other marketing and communications activities on long-term care, and many others.
- **Opinion Pieces** – The SCAN Foundation authored two opinion pieces – one on health reform and its impact for seniors, and one exclusively on CLASS – which were published in the *Los Angeles Times* and *San Francisco Chronicle* respectively.
- **Long-Term Care Policy Simulator** – This publicly available cost and utilization model allows users to define a long-term care benefit by customizing eight key variables. This general model (not specific to CLASS), developed by Avalere Health, provides a balanced, objective understanding about how various coverage decisions affect individual costs, as well as the potential costs or savings to Medicaid.

## A CLEAR HORIZON FOR LIFESTYLE SECURITY

CLASS implementation will be challenging, and there are plenty of questions for which there may be no definitive answer until the program actually begins. One thing is clear: our current system of long-term care is fundamentally broken – it is not person-centered, does not create avenues for personal responsibility, drives people into poverty, and creates an increasing burden on entitlement programs that are already financially stretched. The status quo is neither acceptable nor sustainable. For our nation, CLASS represents a once-in-a-lifetime opportunity to create fundamental change in how we deliver care to older Americans and the disabled.

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