The CLASS Act and the Future of Long-Term Care Financing

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Abstract

The Community Living Assistance Services and Supports (CLASS) Act's designers and promoters envision the program as a noble plan to relieve the financial strain on Medicaid long-term care and enable disabled and elderly Americans to purchase more home care and suffer less nursing home institutionalization. Unfortunately, CLASS treats only symptoms without addressing the causes of America's long-term care financing problems. This paper explains why CLASS, like private long-term care insurance, is doomed to failure unless and until the crowd-out effect of easy access to Medicaid LTC benefits is addressed. Either by policy or by default, however, Medicaid is nearly finished as the dominant payer for LTC in the United States and therein lies the probable future of long-term care financing.