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## CLASS Act Exposes ObamaCare Accounting Tricks, but Democrats Oppose Repeal

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*Marc Kilmer*

A small but important entitlement within President Obama's health care law has been rescinded by Health and Human Services Secretary Kathleen Sebelius. But Capitol Hill Democrats are opposing efforts to repeal the relevant language entirely.

On October 14, Secretary Sebelius announced HHS would end implementation of the CLASS Act. The CLASS Act was a new entitlement program intended to help individuals fund long-term care. At the time Obama's law passed, then-Senator Judd Gregg (R-NH) inserted language in the legislation requiring that HHS determine the program to be fiscally sustainable over the next 75 years before beginning to implement it.

In a letter to Congress, Secretary Sebelius stated, "For 19 months, experts inside and outside of government have examined how HHS might implement a financially sustainable, voluntary and self-financed long-term care insurance program under the law that meets the needs of those seeking protection for the near term and those planning for the future." These experts failed to find a way to make the CLASS Act sustainable for the period set forth by Congress.

Following Sebelius' decision, Sen. John Thune (R-SD) introduced a bill to repeal CLASS—an act which the Congressional Budget Office confirmed would not impact the deficit according to its methods of measurement. In a subsequent hearing of the House Energy and Commerce Committee's Subcommittee on Health, ranking member Rep. Henry Waxman (D-CA) said he and the White House oppose any efforts to repeal CLASS, implying he believes the HHS decision is only a temporary setback.

"CLASS has not been cancelled; it simply stands in recess," Waxman said.

**Smoke and Mirrors Budgeting?**

A possible reason for the opposition of Waxman and others to repeal of CLASS is that it removes a key way Obama's law improved the fiscal situation of the federal government, at least on paper. As the Cato Institute's Michael Tanner noted in "Bad Medicine: A Guide to the Real Costs and Consequences of the New Health Care Law," CLASS was designed to help mask the costs of the Obama's law.

"During the law's first five years it will collect premiums, but not pay benefits," Tanner wrote, "As a result, over the first 10 years, the period conveniently included in the budget scoring window, the CLASS Act will run a surplus, collecting more in premiums than it pays out in benefits."

However, Turner noted, after the 10-year budget scoring window, the CLASS Act would have increased budget deficits—one reason why John Graham, director of health studies at the Pacific Research Institute, applauds the termination of the program.

"The CLASS program has only been killed because Congress, in an extremely rare example of probity, required the Secretary of HHS to determine that CLASS would be actuarially sound for 75 years," says Graham. "If Congress had required this of the rest of Obamacare, the whole thing would have been administratively rescinded at the same time."

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## Author bio:

Marc Kilmer is a Maryland Public Policy Institute senior fellow specializing in health care issues. He began his career in public policy as a legislative assistant to U.S. Sen. Larry Craig (R-ID), where he worked on education, transportation, and housing issues as well as federal appropriations, public land policy, and gun rights.

After leaving Craig's office, Kilmer served for three years as executive director/CEO of the American Congress of Community Supports and Employment Services, a Washington, D.C., trade association of nonprofits that provide services to people with disabilities.

Kilmer has a Bachelor of Arts in history and political science from Hillsdale College in Michigan and lives in Salisbury, Maryland, with his wife and daughter.

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