



**Statement by**

**Kathy Greenlee**

**Assistant Secretary for Aging**

**US Department of Health and Human Services**

**Before the**

**Committee on Energy and Commerce**

**Subcommittee on Health**

**United States House of Representatives**

**Thursday, March 17, 2011**

Chairman Pitts, Ranking Member Pallone, and Members of the Subcommittee, thank you for the opportunity to discuss the implementation of the Community Living Assistance Services and Supports Act or the CLASS Act.

Today, approximately 10 million Americans need long-term services and supports, ranging from having an aide visit for a few hours a week to living in a nursing home with around-the-clock care. As America ages, that number is rising steadily. By 2020, it is expected that 15 million Americans will need some kind of long-term care.

We know that one out of six people who reach the age of 65 will spend more than \$100,000 on long-term care – and far more will need less extensive but still substantial care as well. And 22 percent of those who enter a nursing home will spend down their own resources and qualify for Medicaid after virtually exhausting their savings. Unfortunately, only about 8-10 percent of Americans have private long-term care insurance coverage, and new enrollment is declining while major long-term care competitors have exited the market. Taken together, this means that many Americans are not well prepared to finance the long-term services and supports they will need.

There are a number of reasons behind the reluctance to prepare. The first is misunderstanding of the available resources. Four out of five Americans mistakenly believe that Medicare provides them with extensive coverage for long-term care. It does not. In addition, while Medicaid is the nation's primary payer for long-term care, paying approximately 50 percent of the nation's nursing home expenditures, qualifying for long-term services and supports under Medicaid requires that individuals impoverish

themselves, with only modest protections for the needs of one's spouse. Second, Americans frequently misjudge the risk that they will need long-term services and supports. There is a natural impulse not to think about becoming dependent on others as a result of physical or cognitive decline. Third, many people are unaware of the costs of these kinds of services and supports. Even if they understand that a year of nursing home care now costs about \$75,000, they are unlikely to have considered the costs of home health aides that can help people remain more independent and living in their homes. A year of home health care costs about \$18,000.

But it isn't just individuals' budgets that are stretched by long-term care services and supports – these costs are a key source of financial stress on public budgets. Recent data from the CMS Office of the Actuary show that in 2009 Medicaid spent \$111.2 billion on long-term care services and that spending growth on these services is projected to accelerate as the population ages, stressing both federal and state budgets.

Prior to coming to Washington, I had the honor of serving as the Secretary of Aging in Kansas – which oversaw both community aging programs and Medicaid-funded long-term care services and supports. I also served as the General Counsel for the Kansas Insurance Department. Over the past six years, I have visited dozens of nursing homes and spoken to thousands of seniors. I have managed a Medicaid budget. What I know with certainty is that all people, regardless of age, hope to maintain their independence for as long as possible. I know and respect many nursing home providers – they play a critical role in caring for our most vulnerable seniors. But, all of us hope to postpone nursing home admission for as long as possible and many people swear to never cross

that threshold. Fortunately for policymakers, people prefer to live in the setting that is least, not most, expensive. How, then, do we help people prepare for the costs associated with aging and disability, and increase access to in-home and community supports so people can remain in their homes?

The Community Living Assistance Services and Supports or CLASS program offers a new tool to support Americans' long-term care needs and help them remain as independent as possible, for as long as possible. Its goals are to create an opportunity for individuals to prepare financially for their own long-term needs, support consumer choices related to their own care and living arrangements, and facilitate independence and community living.

President Obama and Secretary Sebelius have acknowledged that the CLASS program needs improvement. Many of the changes proposed to the Senate health reform bill that would have improved the CLASS program's financial stability were not included in the final legislation or reflected in the Congressional Budget Office's assumptions that scored the CLASS program. Therefore, it was not unexpected that the President's Fiscal Commission identified these same unresolved issues in December and recommended "reform or repeal CLASS." Given the critical unmet needs of long-term care that I noted earlier, we should not repeal CLASS until we have made every effort to reform the program.

The Secretary has the responsibility to ensure the program is fiscally sound. Fortunately, the law provides her the discretion and flexibility necessary to seek that objective. The

law clearly states that the program must be able to pay for benefits with the premiums it takes in and that no taxpayer dollars may be used to pay for CLASS benefits.

HHS has spent the last year studying this law, the implementation options available, and the relevant actuarial and economic research in the field. Our highly skilled staff has discussed these studies with actuaries, economists, program and policy experts, and other stakeholders in and outside of government. These efforts are helping us chart a path forward to develop a benefit plan that achieves two goals while ensuring fiscal solvency.

These two goals are:

- Consumers can choose to direct their own services. This program is about giving people more control over their own lives, and we will make sure that freedom is not taken away.
- There will be no medical underwriting. CLASS should be open to all American workers who meet the requirements, regardless of their health history.

We are exploring several areas within our statutory flexibility to strengthen the CLASS program to help enrollees plan for their future while ensuring program solvency. These activities and flexibilities to strengthen the program include:

- **Partnering with employers to disseminate outreach information and enroll their employees.** We are also looking at ways to fully implement the alternative enrollment system the statute envisions. CLASS contains neither an employer nor an individual mandate, yet we are determined to engage with employers to make enrolling in CLASS as easy as possible.

- **Changing the employment and earnings requirements for the program.** The CLASS program was designed to protect today’s workers against future needs. That is why it included a requirement that people earn a certain amount of money in order to participate. But if that standard is set too low, we may have too many enrollees who will quickly make claims on program benefits, thereby threatening CLASS’s financial viability. That is not the intent of this program, so we will look closely to make sure we have picked the right earnings requirement
- **Closing loopholes that could allow people to skip premium payments and then re-enroll in the program without paying any penalty.** All participants should pay their fair share.
- **Exploring options for indexing premiums for inflation so they would rise along with benefits.** The approach to indexing would be completely transparent so that participants could plan ahead.
- **Tailoring benefits more closely to individual needs and preferences.** We are looking at ways to make the program appealing for Americans with a wide range of long-term care needs. A CLASS program that does not take a “one-size-fits-all” approach will not only serve people better, it will also be attractive to larger numbers of people.
- **Attracting a broad base of enrollees.** We need to raise awareness about the potential risks of needing long-term care services and supports and the availability of this program.

- **Developing robust waste, fraud, and abuse regulations and procedures.**

Program integrity is critically important. We are exploring information technology solutions in the areas of enrollment, eligibility, and claims processing to protect the program's integrity.

We will pursue these reforms in full public view. Consistent with the law, we will present three solvent benefit plans as certified by the CMS Office of the Actuary to the CLASS Independence Advisory Council. The public at large will also have an opportunity to comment on the benefit plans and the implementing regulations through notice-and-comment rulemaking. The feedback will be considered before the Secretary designates a final benefit plan by October 1, 2012.

At some point in our lives, nearly 70 percent of us will need daily help because of a disability. CLASS is not the equivalent of private long-term care insurance but it certainly should be one of the tools in our toolbox to help Americans plan for and afford long-term services and supports and remain independent as long as possible.

This Administration is doing everything in its power to give Americans the choice of a financially strong CLASS program, and I look forward to working with this committee to ensure we implement the law responsibly.

Thank you.