



March 30, 2011

The Honorable Henry A. Waxman
Ranking Member
Energy and Commerce Committee
U.S. House of Representatives
Washington, D.C. 20515

Dear Representative Waxman:

Thank you for your March 23, 2011 letter seeking clarity in my statements before the House Committee on Energy and Commerce, Subcommittee on Health hearing on March 17, 2011. I appreciate the opportunity to provide a more comprehensive response to questions regarding the estimated savings attributed to the Community Living Assistance Services and Supports (CLASS) program by the Congressional Budget Office (CBO).

As I stated in my testimony, the goals of the CLASS program are to provide an opportunity for individuals to take responsibility and 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. 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.

We continue to explore several areas within our statutory flexibility to strengthen the CLASS program, and President Obama and Secretary Sebelius have pledged to use the discretion already provided in the law to make necessary changes to ensure that CLASS meets its programmatic goals and is financially solvent and stable.

As I testified at the Subcommittee hearing, the CBO estimates the Affordable Care Act will reduce the deficit by \$210 billion in the first decade and \$1 trillion in the next decade. In developing these estimates, CBO is following the same budgeting methods put into law in 1990 and used for more than two decades. These budgeting practices have been used by the Medicare program for many years. Since 1981, the CBO and the Medicare Trustees have prepared estimates for specific statutory changes that would achieve savings in Medicare and extend the solvency of the Medicare Part A Trust Fund while contributing to deficit or surplus calculations. For example, this process was used to estimate savings during the Balanced Budget Act of 1997 and the Deficit Reduction Act of 2005.

As Joseph Antos, the Wilson H. Taylor Scholar in Health Care and Retirement Policy at the American Enterprise Institute, recently testified in the same hearing before the Energy and Commerce Committee Subcommittee on Health, this approach is a method that has been in use for many years and is not a budgeting gimmick and should not be considered double counting.

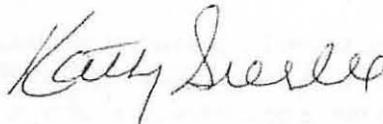
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To better understand these budgetary calculations, it is important to note that the premium revenues of the CLASS program, like other trust fund revenues, are part of the larger unified federal budget. Under current budget practices, CLASS revenues and costs are taken account of on an annual basis. Therefore, CLASS premiums are treated as revenue and in the absence of CLASS expenditures contribute to deficit reduction. When CLASS benefits become payable they will be treated as reductions against accumulated premium revenue. This is similar to the treatment of revenues and expenditures from the Medicare Trust Fund.

CLASS premiums will be deposited into a trust fund called the CLASS Independence Fund, which will be managed by the Secretary of the Treasury and Board of Trustees. A primary function of the Board of Trustees is to review program operation and ensure that CLASS is actuarially sound and fiscally solvent over the 20 and 75 year periods stipulated in the law. This is particularly important because no taxpayer funds may be used to pay for CLASS program benefits.

Thank you again for the opportunity to testify before the Subcommittee and for your important questions. We remain strongly committed to transparency as we work to strengthen the CLASS program, and look forward to working with you and your colleagues to ensure responsible and successful implementation. A similar response has also been provided to Representative Pallone.

Sincerely,

A handwritten signature in cursive script, appearing to read "Kathy Greenlee".

Kathy Greenlee